



# Q3

## INTERIM REPORT 1.1.–30.9.2017

*Sponda owns, leases and develops business properties in the Helsinki metropolitan area and the largest cities in Finland.*

*Sponda's reporting segments are as follows: Office Properties, Shopping Centres, Property Development, Non-Strategic Holdings and the Other segment. The Non-Strategic Holdings segment includes the remaining logistics properties, properties in Russia and the current Property Investment Companies segment. The Other segment includes expenses not allocated to any of the Group's businesses.*

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## SPONDA PLC'S INTERIM REPORT JANUARY–SEPTEMBER 2017:

### JANUARY–SEPTEMBER 2017 IN BRIEF (COMPARED WITH 1 JANUARY–30 SEPTEMBER 2016)

- Total revenue increased to EUR 197.1 (193.2) million.
- Net operating income totalled EUR 145.5 (143.8) million.
- Operating profit was EUR 106.3 (132.8) million. This includes a fair value change of EUR -19.4 (-7.0) million.
- Cash flow from operations per share was EUR 0.25 (0.31).
- The fair value of the investment properties amounted to EUR 3,857.3 (3,692.7) million.
- Net assets (NAV) per share totalled EUR 5.19 (5.05).
- The economic occupancy rate was 88.5 (89.3)%.

### JULY–SEPTEMBER 2017 IN BRIEF (COMPARED WITH 1 JULY–30 SEPTEMBER 2016)

- Total revenue was EUR 64.1 (66.3) million.
- Net operating income totalled EUR 48.9 (51.5) million.
- Operating profit was EUR 34.5 (37.2) million. This includes a fair value change of EUR 1.3 (-10.0) million.
- Cash flow from operations per share was EUR 0.06 (0.10).

### KEY FIGURES

	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Total revenue, M€	64.1	66.3	197.1	193.2	259.0
Net operating income, M€	48.9	51.5	145.5	143.8	190.9
Operating profit, M€	34.5	37.2	106.3	132.8	206.7
Earnings per share, €	0.05	0.05	0.19	0.23	0.41
Cash flow from operations per share, €	0.06	0.10	0.25	0.31	0.40
Equity per share, €			5.19	5.05	5.16
Equity ratio, %			46.8	47.2	47.4

### KEY FIGURES ACCORDING TO EPRA BEST PRACTICES RECOMMENDATIONS

	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
EPRA Earnings, M€	21.0	31.0	79.1	84.9	113.1
EPRA Earnings per share, €	0.06	0.09	0.23	0.26	0.35
Company adjusted EPRA Earnings, M€	21.3	32.2	81.1	87.1	113.7
Company adjusted EPRA Earnings per share, €	0.06	0.09	0.24	0.27	0.35
EPRA NAV/share, €			5.49	5.38	5.49
EPRA NNNNAV/share, €			5.14	4.97	5.07
EPRA Net Initial Yield (NIY), %			5.23	5.53	5.29
EPRA "topped-up" NIY, %			5.25	5.55	5.31
EPRA Vacancy rate, %			11.49	10.73	10.38
EPRA Cost Ratio (including direct vacancy costs), %					16.36
EPRA Cost Ratio (excluding direct vacancy costs), %					12.40

### PRESIDENT AND CEO KARI INKINEN

On 5 June 2017, Polar Bidco S.à r.l. (a corporation owned by funds advised by affiliates of The Blackstone Group L.P.) announced a tender offer to purchase all shares in Sponda. The initially announced offer price was EUR 5.19 per share, representing a premium of approximately 20% on the share price at the time. Sponda's Board of Directors unanimously recommended that the shareholders accept the tender offer and decided, on the basis of the authorisation previously granted to it, to distribute a dividend of EUR 0.12 per share, which was deducted from the price offered for each share. On 8 August 2017, Polar Bidco S.à r.l. announced that it has acquired 98.80% of Sponda's shares. For the remainder of the shares, a redemption procedure has commenced and, subsequently, Sponda has applied for delisting of its shares.

At the end of September, Sponda's net operating income grew as anticipated and maintenance expenses increased mainly due to an increase in property taxes. The economic occupancy rate fell slightly, being 88.5% at the end of September. The most significant negative changes were seen in Sponda's non-strategic properties and office properties outside Helsinki's central business district.

Property development projects progressed as planned and on schedule. The building and letting of Ratina is progressing as planned. The pre-let rate currently stands at 74% for the shopping centre and 61% for the project as a whole, including two office properties in the area. The construction of an office and retail complex in the Tikkurila district of Vantaa is also progressing on schedule. The pre-let rate is 65%.

## PROSPECTS FOR 2017

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

### **Net operating income**

Sponda estimates that the net operating income for 2017 will amount to EUR 182–192 million. This estimate is based on property sales in 2016 and estimated sales in 2017. The development of net operating income will also be affected by the increase in property taxes in 2017 as well as one large property being vacated for renovation.

### **Adjusted EPRA Earnings**

Sponda estimates that company adjusted EPRA Earnings in 2017 will amount to EUR 106–116 million. This estimate is based on property sales in 2016 and estimated sales in 2017. The development of net operating income will also be affected by the increase in property taxes in 2017 as well as one large property being vacated for renovation.

## BUSINESS CONDITIONS

Economic growth in Finland exceeded forecasts and it is expected to remain strong throughout the remainder of the year. Growth forecasts have been adjusted upwards and, according to the Ministry of Finance's new forecast, the Finnish GDP will grow by 2.9% in 2017. Economic growth has a firmer foundation now that the positive development of private consumption and investments is complemented by stronger export growth. The rapid improvement of the economy also has a positive impact on employment. According to Statistics Finland, the unemployment rate was 7.5% at the end of August.

According to the Consumer Survey published by Statistics Finland, confidence among consumers in their own economic situation and the Finnish economy remains high. Consumer prices have risen during the first half of the year but, according to the Ministry of Finance, the increase in prices is slower than usual. According to Statistics Finland, inflation was 0.8 per cent at the end of September.

## GROUP RESULT IN JANUARY–SEPTEMBER 2017

Sponda Group's result for January–September was EUR 68.8 (77.3) million, while the result before taxes was EUR 69.2 (94.7) million and operating profit was EUR 106.3 (132.8) million.

Net operating profit increased by 1.2% to EUR 145.5 (143.8) million. The year-on-year increase was due to the Forum property acquisition, the effect of which is included in the comparison figures starting from March 2016. Items that had a negative effect on the development of net operating income included property sales, particularly in Russia, and the negative development of the net operating income of a like-for-like portfolio, totalling EUR -1.2 million. Marketing and administration expenses and other operating income and expenses totalled EUR 26.9 (16.0) million. Marketing and administration expenses totalled EUR 19.7 (16.4) million. The increase is mainly due to the termination of the company's share-based incentive schemes. Other operating income and expenses include approximately EUR 7 million of external consultancy fees relating to the public tender offer for all shares in Sponda.

During the period, the Group recognised profit on sales of EUR 10.9 (14.3) million from the sales of investment and trading properties. The change in fair value of the investment properties was negative, EUR -19.4 (-7.0) million, mainly due to the effect of increased property tax on the values. The Group's result was weighed down by amortisation of goodwill amounting to EUR 3.7 (2.1) million. The item is related to the Ratina project and will be written off once the project is completed.

Financial income and expenses for the period totalled EUR -37.1 (-38.1) million. The net amount of financial income and expenses was positively affected by the prices of the funding sources used as well as capitalised interest expenses, while the amount of interest-bearing liabilities had a negative effect on the net amount.

In accordance with IFRIC 21, the company recognises a liability in the balance sheet when the obligating event occurs. The company periodises real estate taxes in the profit and loss statement on the basis of the passage of time.

## PROPERTY ASSETS 1 JANUARY–30 SEPTEMBER 2017

At the end of September 2017, Sponda had a total of 165 leasable properties, with an aggregate leasable area of approximately 1.2 million m<sup>2</sup>. Of this total, approximately 70% is office premises, 17% shopping centres and 11% logistics premises. Approximately 1% of the leasable area is located in Russia.

The fair values of Sponda's investment properties are confirmed as a result of the company's own cash flow-based yield value calculations. The assessment method complies with International Valuation Standards (IVS). The data used in the calculations of fair value is audited at least twice a year by external experts to ensure that the parameters and values used in the calculations are based on market observations.

At the end of September 2017, the fair value of Sponda's investment properties was assessed internally for both Finland and Russia. The fair value of the investment properties totalled EUR 3.9 billion at the end of September 2017. The change in the fair value of the investment properties in the third quarter was EUR 1.3 (-10.0) million. No changes were made to the yield requirements. The value of Sponda's properties in Finland developed favourably, primarily due to an increase in market rents and

the property development margin. The negative change in the fair value was mainly attributable to exchange rate changes in Russia.

#### Valuation gains/losses on fair value assessment

M€	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Changes in yield requirements (Finland)	0.0	0.0	15.2	17.1	60.1
Changes in yield requirements (Russia)	0.0	0.0	0.0	-4.1	-4.1
Development gains on property development projects	5.1	1.5	10.5	5.4	7.4
Modernisation investments	-9.2	-7.4	-27.7	-19.9	-31.0
Change in market rents and maintenance costs (Finland)	7.6	-3.6	-2.0	10.0	12.6
Change in market rents and maintenance costs (Russia)	0.3	-0.4	-12.7	-11.1	-14.1
Change in currency exchange rates	-2.5	-0.1	-2.8	-2.5	-2.1
Investment properties, total	1.3	-10.0	-19.4	-5.0	28.7
Real estate funds	0.0	0.0	0.0	-2.0	-2.0
Realised share of fund profits	0.0	0.0	0.0	0.0	0.0
Group, total	1.3	-10.0	-19.4	-7.0	26.7

#### Changes in Sponda's investment property assets 1 January–30 September 2017

M€	Total	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings
Operating income	196.1	126.7	56.7	0.2	12.6
Maintenance expenses	-50.3	-31.9	-12.4	-1.4	-4.7
Net operating income	145.8	94.7	44.3	-1.2	7.9
Investment properties on 1 January 2017	3,755.5	2,190.4	1,195.4	184.3	185.3
Investment properties held for sale on 1 January 2017	32.8	10.6	-	3.3	18.9
Capitalised interest 2017	2.0	-	-	2.0	-
Acquisitions	12.5	12.5	-	-	-
Investments	99.1	23.3	4.4	71.0	0.5
Transfers between segments	-	-	-	-	-
Sales	-7.4	-1.5	-	-	-5.9
Change in fair value	-19.4	-13.0	0.1	10.4	-17.0
Reclassifications to non-current assets held for sale	-17.8	-7.7	-	-	-10.2
Investment properties on 30 September 2017	3,857.3	2,214.8	1,199.8	270.9	171.7
Change in fair value, %	-0.5	-0.6	0.0	5.7	-9.1
Weighted average yield requirement %	5.9	6.0	5.2	N/A	9.7
Weighted average yield requirement %, Finland	5.8				

#### RENTAL OPERATIONS

At the end of September 2017, Sponda had 1,856 clients and a total of 3,013 lease agreements. The company's largest tenants were the State of Finland (7.2% of rental income), Kesko Group (5.4% of rental income), HOK-Elanto Liiketoiminta Oy (3.8% of rental income) and City of Espoo (2.5% of rental income). Sponda's 10 largest tenants generate approximately 28% of the company's total rental income. Total cash flow from lease agreements at the end of September 2017 was EUR 991.6 (1,061.6) million.

Expired lease agreements and new agreements that came into effect in the third quarter of the year were as follows:

	Number (agreements)	Area (m <sup>2</sup> )	EUR/m <sup>2</sup> /month
New agreements that came into effect during the period	73	29,516	21.3
Expired during the period	82	47,780	17.9
Extended or renewed during the period	34	19,049	14.7

The expired agreements and agreements that came into effect do not necessarily pertain to the same segments and properties.

Sponda calculates the growth in net rental income for its properties during the review period according to EPRA Best Practices Recommendations by using a **like-for-like net rental growth** formula based on a comparable property portfolio owned by the company for two years. For January–September, like-for-like net rental growth was 0.1% (0.6%) for office properties and -4.5%

(4.7%) for shopping centres. Like-for-like net rental incomes were reduced by higher maintenance expenses due to an increase in property taxes.

All of Sponda's lease agreements in Finland are tied to the cost of living index.

The **average length of all lease agreements** was 3.9 (3.8) years. The average length of lease agreements was 4.0 (3.8) years for office properties and 4.0 (3.8) years for shopping centres.

The lease agreements expire as follows:

% of rental income	Total property portfolio		Office Properties		Shopping Centres	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Within 1 year	15.4	18.7	14.7	18.3	12.8	9.6
Within 2 years	14.1	12.4	15.6	12.3	7.9	11.2
Within 3 years	10.7	11.5	10.2	13.1	12.2	9.0
Within 4 years	11.2	7.7	10.3	6.9	14.5	9.4
Within 5 years	12.8	10.1	10.9	9.2	19.2	14.0
Within 6 years	2.8	7.5	2.0	4.8	4.9	15.7
After more than 6 years	21.5	19.2	21.6	18.7	24.2	25.9
Valid indefinitely	11.4	12.8	14.8	16.7	4.2	5.2

The figures for the total property portfolio also include the properties in the Non-Strategic Holdings segment (logistics and Russia).

The **economic occupancy rates** by type of property and geographical area were as follows:

%	30.9.2017	30.6.2017	31.3.2017	31.12.2016	30.9.2016
Office Properties	88.2	89.0	89.0	89.2	88.8
Helsinki business district	92.1	92.8	92.6	91.8	91.5
Ruoholahti	82.2	82.6	82.7	85.0	85.0
Rest of the metropolitan area	85.8	87.3	87.2	87.5	86.1
Tampere	91.5	91.9	93.3	93.4	95.9
Rest of Finland	74.2	76.4	78.0	78.2	78.0
Shopping Centres	93.9	93.5	92.6	93.5	93.2
Helsinki business district	93.7	93.1	91.9	92.4	92.4
Other	94.1	94.1	93.8	95.4	94.5
Non-Strategic Holdings	69.8	72.6	77.0	79.9	79.8
Logistics properties	68.3	71.3	74.2	74.0	72.8
Russia	71.3	73.9	79.5	84.8	85.3
Total property portfolio	88.5	89.1	89.1	89.6	89.3

## DIVESTMENTS AND INVESTMENTS

Sponda is continuing to actively manage its property portfolio and sell non-strategic properties. Investment properties were sold for EUR 10.7 million in January–September. Office properties were sold for EUR 2.2 million, and logistics properties under the Non-Strategic Holdings segment were sold for EUR 8.3 million. In addition, trading properties were sold for EUR 8.9 million.

Property development investments were mainly directed to the construction of the Ratina shopping centre and an office and retail complex in Vantaa's Tikkurila district.

### Divestments

M€	1.7.- 30.9.2017	1.7.- 30.9.2016	1.1.- 30.9.2017	1.1.- 30.9.2016	1.1.- 31.12.2016
Disposals of investment properties					
Selling price	1.0	19.3	10.7	27.6	36.7
Profit/loss on sale *)	0.4	0.9	3.4	0.9	0.8
Balance sheet value	0.6	18.4	7.4	26.7	35.9

\*) Includes sales costs



## Investments

M€	1.7.- 30.9.2017	1.7.- 30.9.2016	1.1.- 30.9.2017	1.1.- 30.9.2016	1.1.- 31.12.2016
Properties acquired	-12.5	-	-12.5	-589.5	-590.5
Modernisation investments	-9.2	-7.4	-27.7	-19.9	-31.0
Property development investments	-25.7	-16.8	-71.4	-41.1	-60.9
Investments, total	-47.5	-24.2	-111.7	-650.5	-682.4

## RESULTS BY SEGMENT

The reporting segments are as follows: Office Properties, Shopping Centres, Property Development, Non-Strategic Holdings and the Other segment. The Non-Strategic Holdings segment includes the remaining logistics properties, properties in Russia and the Property Investment Companies segment. The Other segment includes expenses not allocated to any of the Group's businesses.

### Office Properties

The Office Properties segment is responsible for the leasing, purchase and sales of office premises in Finland.

Net operating income was EUR 94.5 (93.6) million in January–September 2017. Demand for offices in Helsinki's central business district continues to be high with an occupancy rate of 92.1%. In the office market, demand is currently particularly focused on activity-based offices.

	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Total revenue, M€	41.5	42.5	127.0	125.3	167.2
Net operating income, M€	32.0	33.1	94.5	93.6	124.1
Operating profit, M€	27.6	28.6	73.6	96.2	138.4
EPRA Net Initial Yield (NIY), %			5.4	5.9	5.6
Economic occupancy rate, %			88.2	88.8	89.2
Fair value of properties, M€			2,214.8	2,151.0	2,190.4
-excludes properties classified as held for sale, M€			7.7	30.1	10.6
Change in fair value from beginning of year, M€			-13.0	10.8	25.2
Leasable area, m <sup>2</sup>			807,000	803,000	808,500

### Shopping Centres

The Shopping Centres segment is responsible for the leasing, purchase and sales of shopping centres and retail premises in Finland. Net operating income was EUR 44.3 (41.1) million in January–September 2017.

	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Total revenue, M€	18.8	18.5	56.7	51.8	70.3
Net operating income, M€	15.1	15.0	44.3	41.1	54.8
Operating profit, M€	12.8	6.5	38.9	36.8	72.0
EPRA Net Initial Yield (NIY), %			4.9	4.7	4.4
Economic occupancy rate, %			93.9	93.2	93.5
Fair value of properties, M€			1,199.8	1,170.9	1,195.4
Change in fair value from beginning of year, M€			0.1	-1.5	21.3
Leasable area, m <sup>2</sup>			202,000	198,500	198,000

### Property Development

The Property Development segment is responsible for the marketing and implementation of new property development projects. Property development operations comprise new construction projects and the refurbishment of existing properties.

The balance sheet value of Sponda's property development portfolio stood at EUR 270.9 million at the end of September 2017. Of this total, EUR 47.9 million was in undeveloped land sites and the remaining EUR 223.0 million was tied up in property development projects in progress. The value of unused building rights is presented in the assets of the segment concerned for investment properties that have a building, and as part of the Property Development segment for building rights for unbuilt land.

The Property Development unit invested a total of EUR 71.0 million in January–September. The investments were primarily directed to the construction of the Ratina shopping centre and the office and retail complex in Tikkurila.

The Ratina shopping centre project is progressing on schedule. The Grand Opening of the shopping centre is scheduled for 19 April 2018. The complex comprises a total of approximately 53,000 m<sup>2</sup> of retail and service premises for more than 150 businesses. The project's total investment, including the land value, is estimated at approximately EUR 240 million, with some EUR 165 million invested to date. The project's target development margin is 15% and the estimated net yield on cost is 7.5%. The

shopping centre section's signed and agreed lease agreements cover approximately 74% of the leasable area. The pre-let rate for the Ratina project as a whole is approximately 61%.

Sponda's other significant new construction project, an office and retail complex at Tikkurila railway station in Vantaa, will be implemented in two phases. The installation of the frame elements for the first stage of construction is now complete. Roofing work and cladding work on the facade are underway. Work on building service systems was started, and it is progressing in parallel with the construction work. The project's first phase will be completed in spring 2018, comprising a total of 9,500 m<sup>2</sup> of leasable space, half of which will be office space and the other half retail and service premises as well as parking space. The investment size for the first phase is approximately EUR 31 million and the property is 65% pre-let. The project's yield on cost is approximately 7.3%. Some EUR 16.3 million has been invested in the project to date. The plan for the project's second phase involves the construction of approximately a further 4,000 m<sup>2</sup> of leasable business premises. The decision on commencing the second phase will be made later based on the occupancy rate.

### **Non-Strategic Holdings**

The Non-Strategic Holdings segment includes the remaining logistics properties and properties in Russia.

The fair value of the investment properties in the Non-Strategic Holdings segment stood at EUR 171.7 million at the end of September. Of this total, logistics properties accounted for EUR 81.0 million and properties in Russia for EUR 90.7 million.

The occupancy rate of the logistics properties was 68.3% (72.8%) and that of the properties in Russia was 71.3% (85.3%).

Sponda's holding in Russia Invest, which invests in property development projects in Russia, is 27%. Russia Invest owns a 55% share in the Okhta Mall shopping centre project, which is Phase I of the Septem City project located in St. Petersburg. Sponda's investment amounted to approximately EUR 22.4 million at the end of September 2017.

## **FINANCING AND BALANCE SHEET KEY FIGURES**

Sponda Group's interest-bearing debt amounted to EUR 1,944 (1,840) million at the end of September 2017, the Group's cash funds totalled EUR 10 (15) million, and net debt was EUR 1,934 (1,825) million. The debt portfolio comprised EUR 500 million in syndicated loans, EUR 325 million in bonds, EUR 339 million in issued commercial papers, and EUR 780 million in loans from financial institutions. Sponda had EUR 590 million in unused credit limits. The level of loans from financial institutions and the level of credit limits was higher than normal in the third quarter. This was attributable to a financing arrangement concluded by the company in the second quarter. Mortgaged loans amounted to EUR 177.4 million, or approximately 4.5% of the consolidated balance sheet.

The key balance sheet figures for the end of the third quarter were stable. Sponda's equity ratio on 30 September 2017 stood at 46.8% (47.2%). The gearing ratio was 104.1% (100.8%) and Loan to Value (LTV), based on net debt, was 49.4% (48.3%). The weighted average maturity of Sponda's loans was 2.0 (2.8) years. The average interest rate was 2.4% (2.8%) including interest derivatives. Fixed-rate and interest-hedged loans accounted for 57% (67%) of the loan portfolio. The average fixed interest rate period of the debt portfolio was 1.0 (1.5) years.

Sponda's net financing costs for the period totalled EUR -37.1 (-38.1) million. Interest expenses of EUR 2.0 (0.7) million were capitalised. Net cash flow from operations in the period under review totalled EUR 89.3 (95.9) million. Net cash flow from investing activities was EUR -103.6 (-626.2) million and the net cash flow from financing activities was EUR 11.9 (323.7) million.

### **Balance sheet key figures**

	<b>30.9.2017</b>	<b>30.6.2017</b>	<b>31.3.2017</b>	<b>31.12.2016</b>	<b>30.9.2016</b>
Equity ratio, %	46.8	46.6	47.4	47.4	47.2
Gearing ratio, %	104.1	103.8	100.1	100.0	100.8
Average interest rate, %	2.4	2.4	2.7	2.7	2.8
Hedging, %	57	64	72	67	67
Average loan maturity, years	2.0	2.2	2.4	2.6	2.8
Average fixed interest rate period, years	1.0	1.2	1.4	1.4	1.5
Loan to Value (LTV)*, %	49.4	49.3	48.2	48.3	48.3
Interest-bearing debt, EUR million	1,944	1,939	1,875	1,863	1,840
Unused credit limits, EUR million	590	613	438	438	440

\*) Based on net debt

## **SPONDA'S SHARE AND SHAREHOLDERS**

### **Issued shares and share capital**

At the end of September 2017, Sponda Plc's share capital amounted to EUR 111,030,185 and the number of issued shares was 339,690,554.



### Trading in Sponda's shares

The weighted average price of the Sponda share in the third quarter was EUR 5.07. The highest quotation was EUR 5.32 and the lowest EUR 4.96. Turnover during the period totalled some 288 million shares, or approximately EUR 1,460 million. The closing price of the share on 29 September 2017 was EUR 5.06 and the market capitalisation of the company's share capital was EUR 1,726 million.

### Board authorisations

The Annual General Meeting on 20 March 2017 authorised the Board of Directors to purchase the company's own shares. The authorisation is valid until the next Annual General Meeting. The authorisation was not exercised during the review period.

The Annual General Meeting also authorised the Board of Directors to decide on a share issue and on the issuance of special rights conferring entitlement to the shares referred to in Chapter 10, Section 1 of the Finnish Companies Act in accordance with the proposal of the Board of Directors. The authorisation is valid until the next Annual General Meeting. The authorisation was not exercised during the review period.

The Annual General Meeting authorised the Board of Directors to decide, at its discretion, on the payment of dividend in no more than two tranches based on the annual accounts adopted for the financial year 2016. The maximum amount of dividend to be distributed on the basis of the authorisation is EUR 0.12 per share. The authorisation is valid until the next Annual General Meeting. The authorisation was exercised in full during the review period.

### Treasury shares

Sponda did not own any treasury shares during the review period.

### Polar Bidco S.à r.l. tender offer for all shares in Sponda

On 5 June 2017, Polar Bidco S.à r.l., a corporation owned by funds advised by affiliates of The Blackstone Group L.P., and Sponda Plc signed a combination agreement. In accordance with the agreement, Polar Bidco made a voluntary public tender offer, recommended by Sponda's Board of Directors, to purchase all issued and outstanding shares in Sponda. Following the subsequent tender offer period, Polar Bidco S.à r.l. announced on 8 August 2017 that it has acquired 98.80% of all shares in Sponda. Polar Bidco S.à r.l. has commenced redemption proceedings in respect of minority shares in Sponda by initiating arbitration proceedings in accordance with the Finnish Companies Act in order to obtain ownership of all the shares in Sponda.

### Dividend

On 5 June 2017, the Board of Directors of Sponda Plc decided, on the basis of the authorisation granted to it by the Annual General Meeting held on 20 March 2017, on the payment of a dividend amounting to the maximum amount in accordance with the authorisation. A dividend of EUR 0.12 per share was paid to shareholders entered in the company's shareholder register maintained by Euroclear Finland Ltd on the dividend record date, 7 June 2017. The dividend payment date was 14 June 2017.

In accordance with the terms and conditions of the tender offer for all the issued and outstanding shares in Sponda as announced by Polar Bidco S.à r.l., the payment of dividend reduced the offer price payable for each share.

### Shareholders

On 30 September 2017, Sponda had altogether 1,125 shareholders (30 June 2017: 8,866). The five largest shareholders are

Shareholder	Number of shares	% of shares
1 Polar Bidco S.à r.l.	275,684,247	81.16
2 Euroclear Bank Sa/Nv	61,440,375	18.09
3 I.A. von Julins STB	595,000	0.18
4 Skandinaviska Enskilda Banken AB	374,123	0.11
5 Nordea Bank Ab (Publ), Finnish Branch	285,893	0.08
<b>Total</b>	<b>338,379,638</b>	<b>99.62</b>

### Flagging notices

The following flagging notices were issued during the review period:

- Stock Exchange Release 6 July 2017: The holding of Polar Bidco S.à r.l. in Sponda Plc's shares is 15.18% (51,570,566 shares).
- Stock Exchange Release 20 July 2017: The holding of Mercator Invest Ab in Sponda Plc's shares is 0% (0 shares).
- Stock Exchange Release 20 July 2017: The holding of Polar Bidco S.à r.l. in Sponda Plc's shares is 96.78% (328,748,635 shares).
- Stock Exchange Release 21 July 2017: The holding of Hartwall Capital Oy Ab in Sponda Plc's shares is 0% (0 shares).
- Stock Exchange Release 21 July 2017: The holding of Varma Mutual Pension Insurance Company in Sponda Plc's shares is 0% (0 shares).

## GROUP STRUCTURE

Sponda Group comprises the parent company Sponda Plc and its wholly- or partly-owned Finnish limited liability companies and property companies. The Group also includes the foreign subsidiaries owned by Sponda Russia Ltd.

## EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting of Sponda Plc was held on 4 September 2017. The Extraordinary General Meeting decided to confirm the number of the members of the company's Board of Directors as seven ordinary members. In addition, it was decided that Outi Henriksson continues as a member of the Board of Directors. Leif Andersson, Jean-Francois Bossy, Andrew Lax, Svein Erik Lilleland, James Seppälä and Michael Swank were elected as members of the Board of Directors. The Extraordinary General Meeting decided that the remuneration payable to Outi Henriksson and Svein Erik Lilleland be EUR 2,750 per month each for the term that expires at the closing of the Annual General Meeting in 2018, and that no remuneration be paid to the other Board members for the term that expires at the closing of the Annual General Meeting in 2018.

The Extraordinary General Meeting decided to disband the Shareholders' Nomination Board of the company.

## BOARD OF DIRECTORS AND AUDITORS

The members of the Board of Directors are Leif Andersson, Jean-Francois Bossy, Outi Henriksson, Andrew Lax, Svein Erik Lilleland, James Seppälä and Michael Swank. At its constitutive meeting, the Board of Directors elected Andrew Lax as its chairman and Michael Swank as its deputy chairman.

The Board of Directors assessed that, of its members, Outi Henriksson is independent of the company and its major shareholders and the other members, Leif Andersson, Jean-Francois Bossy, Andrew Lax, Svein Erik Lilleland, James Seppälä and Michael Swank, are independent of the company.

APA Esa Kailiala and authorised public accountants KPMG Oy Ab, with APA Lasse Holopainen as the responsible auditor and APA Petri Kettunen as the deputy auditor, will serve as the company's auditors for a term ending at the close of the next Annual General Meeting.

## BOARD COMMITTEES

The members of the Audit Committee are as follows: Outi Henriksson (chairman), Michael Swank (deputy chairman) and Jean-Francois Bossy (ordinary member).

## SPONDA'S MANAGEMENT

Sponda Plc's President and Chief Executive Officer is Kari Inkinen. From 1 January 2017, Sponda's Executive Board comprises the President and CEO, the CFO, the SVP for Corporate Planning and IR, and the heads of four business units, in total seven persons.

## PERSONNEL

The objectives of Sponda's human resource strategy for 2017 are as follows: developing competence management, investing in good leadership and developing well-being at work.

### Key figures for personnel

	30.9.2017	30.9.2016	31.12.2016
<i>Number of employees at the end of the period, Group</i>	104	108	102
<i>Number of employees at the end of the period, parent company</i>	99	101	96
<i>Average number of employees, Group</i>	107	108	107
<i>Average number of employees, parent company</i>	102	98	98
<i>Average age at the end of the period</i>	45.0	-	45.7
<i>Employee turnover (out/in)</i>	9.1%	5.0%	13.0%
<i>New hires</i>	9	3	13
<i>Resignations</i>	9	7	12
<i>Occupational accidents</i>	2	4	4
<i>Days of sick leave caused by occupational accidents</i>	6	0	0
<i>Personnel by group in the parent company</i>			
<i>Administration</i>	33	-	32
<i>Office Properties</i>	27	-	26
<i>Shopping Centres</i>	17	-	15
<i>Property Development</i>	11	-	12
<i>Property investments</i>	7	-	7
<i>Non-Strategic Holdings</i>	4	-	4

Marketing and administration expenses, EUR million	19.7	16.4	22.7
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## ANNUAL REMUNERATION AND INCENTIVE SCHEMES

Sponda has an annual remuneration scheme that covers all employees and is based on both company objectives and personal targets. The key factors affecting the individual's bonus are profitability and business development.

## ENVIRONMENTAL RESPONSIBILITY

The development of Sponda's responsible operations is guided by Sponda's vision of being the most reliable, profitable and responsible operator in the property sector, implementing sustainable development. Environmental responsibility is a strategic focus area of Sponda's. Sponda's key objectives in the area of environmental responsibility in 2017 are related to reducing the energy consumption and carbon dioxide emissions of properties, promoting energy efficiency measures and moving forward with the LEED and BREEAM environmental certification of properties.

Sponda has again been ranked among the best companies in the property sector in the highly valued international Global Real Estate Sustainability Benchmark (GRESB) assessment. Sponda's result was the best in Europe within its peer group. Sponda received a full five-star assessment and was chosen as the 2017 Sector Leader, proof of its leadership in sustainable development within its sector. With regard to the sector average, Sponda took great leaps in areas such as managing sustainability risks and opportunities, measuring and decreasing the environmental impact of the company's real estate portfolio, environmental certifications of buildings, and interaction with stakeholders. Sponda also clearly distinguished itself from others in the peer group with regard to environmental responsibility in property development.

Sponda's key environmental indicators are its total energy consumption, carbon footprint, water consumption, waste recovery rate and the waste recycling and reuse rate. The key indicators are reported as specific consumption figures and the denominator used in the calculations is the gross floor area (GFAM<sup>2</sup>) for each reporting period. The calculation of the key environmental indicators takes into account properties located in Finland in which Sponda's ownership is at least 50%. The reporting does not cover properties leased cold, meaning properties in which the tenant is responsible for property maintenance, energy purchasing or waste management. The key indicators are reported for the preceding 12-month period and the comparison period.

The development of Sponda's key indicators of environmental responsibility for the period under review was affected by changes in the property portfolio between reporting periods.

### Key indicators of environmental responsibility

Sponda's properties in Finland	10/2016–09/2017	10/2015–09/2016	Number of properties
Specific energy consumption, kWh/gross m <sup>2</sup>	202.2	192.7	109
Specific carbon dioxide emissions, kg CO <sub>2</sub> /gross m <sup>2</sup>	39.3	38.0	109
Specific water consumption, l/gross m <sup>2</sup>	269.8	252.9	107
Waste recovery rate, %	100	99	
Waste recycling and reuse rate, %	46	47	

## RISKS AND UNCERTAINTY FACTORS IN THE NEAR FUTURE

Sponda estimates that the risks and uncertainty factors for 2017 are mainly related to the following areas:

**Change in demand for space**, caused by reasons such as technological development, may have a negative impact on the development of occupancy rate and net operating income.

Statutory requirements related to the strengthening of banks' solvency may lead to **reduced availability of bank financing**. Uncertainty about the development of the world economy and **interest rates** may limit the availability of other debt financing.

In Russia, the risks are mainly related to the development of the Russian economy and its impact **on the sale of Sponda's properties in Russia** in 2017.

## PROSPECTS FOR 2017

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

### Net operating income

Sponda estimates that the net operating income for 2017 will amount to EUR 182–192 million. This estimate is based on property sales in 2016 and estimated sales in 2017. The development of net operating income will also be affected by the increase in property taxes in 2017 as well as one large property being vacated for renovation.

### **Adjusted EPRA Earnings**

Sponda estimates that company adjusted EPRA Earnings in 2017 will amount to EUR 106–116 million. This estimate is based on property sales in 2016 and estimated sales in 2017. The development of net operating income will also be affected by the increase in property taxes in 2017 as well as one large property being vacated for renovation.

### **EVENTS AFTER THE PERIOD**

On 28 October, Sponda announced that it will restructure the group's financing. Sponda's group companies signed senior secured facilities agreements for approximately EUR 1.6 billion in total. More details on the refinancing can be found from the company's website [www.sponda.fi](http://www.sponda.fi) -> newsroom -> stock exchange releases.

2 November 2017  
Sponda Plc  
Board of Directors

#### Additional information:

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#### Distribution:

NASDAQ OMX Helsinki  
Media  
[www.sponda.fi](http://www.sponda.fi)

**SPONDA PLC INTERIM REPORT 1 JANUARY–30 SEPTEMBER 2017, TABLES**
**Consolidated income statement**

<b>M€</b>	<b>7-9/2017</b>	<b>7-9/2016</b>	<b>1-9/2017</b>	<b>1-9/2016</b>	<b>1-12/2016</b>
<b>Total revenue</b>					
<i>Rental income and recoverables</i>	64.0	66.2	196.8	193.0	258.6
<i>Interest income from finance leasing agreements</i>	0.1	0.1	0.2	0.2	0.3
	64.1	66.3	197.1	193.2	259.0
<b>Expenses</b>					
<i>Maintenance expenses</i>	-15.2	-14.8	-51.6	-49.5	-68.0
<b>Net operating income</b>	<b>48.9</b>	<b>51.5</b>	<b>145.5</b>	<b>143.8</b>	<b>190.9</b>
<i>Profit/loss on sales of investment properties</i>	0.4	0.9	3.4	0.9	0.8
<i>Valuation gains/losses on fair value assessment</i>	1.3	-10.0	-19.4	-7.0	26.7
<i>Amortisation of goodwill</i>	-1.4	-0.8	-3.7	-2.1	-3.1
<i>Profit/loss on sales of associated companies</i>	-	-0.1	-	-0.1	-0.1
<i>Profit/loss on sales of trading properties</i>	0.0	0.8	7.5	13.3	14.6
<i>Sales and marketing expenses</i>	-0.4	-0.5	-1.6	-1.6	-2.1
<i>Administrative expenses</i>	-7.1	-4.4	-18.1	-14.8	-20.6
<i>Other operating income</i>	0.0	-0.1	0.3	0.5	0.5
<i>Other operating expenses</i>	-7.3	0.0	-7.6	-0.1	-0.8
<b>Operating profit</b>	<b>34.5</b>	<b>37.2</b>	<b>106.3</b>	<b>132.8</b>	<b>206.7</b>
<i>Financial income</i>	0.4	0.3	1.0	2.8	3.2
<i>Financial expenses</i>	-13.1	-13.1	-38.0	-41.0	-54.4
<b>Total amount of financial income and expenses</b>	<b>-12.8</b>	<b>-12.8</b>	<b>-37.1</b>	<b>-38.1</b>	<b>-51.2</b>
<b>Profit before taxes</b>	<b>21.7</b>	<b>24.4</b>	<b>69.2</b>	<b>94.7</b>	<b>155.5</b>
<i>Income taxes for current and previous fiscal years</i>	-0.4	-0.1	-1.1	-2.5	-2.4
<i>Deferred taxes</i>	-2.2	-5.6	0.7	-14.9	-15.6
<b>Income taxes, total</b>	<b>-2.5</b>	<b>-5.7</b>	<b>-0.4</b>	<b>-17.4</b>	<b>-17.9</b>
<b>Profit/loss for the period</b>	<b>19.2</b>	<b>18.8</b>	<b>68.8</b>	<b>77.2</b>	<b>137.5</b>
<b>Attributable to:</b>					
<i>Equity holders of parent company</i>	19.2	18.8	68.8	77.3	137.5
<i>Non-controlling interest</i>	0.0	0.0	0.0	0.0	0.0
<b>Earnings per share based on profit attributable to equity holders of the parent company</b>					
<i>Basic and diluted, €</i>	0.05	0.05	0.19	0.23	0.41

**Consolidated statement of other comprehensive income**

<b>M€</b>	<b>7-9/2017</b>	<b>7-9/2016</b>	<b>1-9/2017</b>	<b>1-9/2016</b>	<b>1-12/2016</b>
<i>Profit/loss for the period</i>	19.2	18.8	68.8	77.2	137.5
<i>Other comprehensive income</i>					
<i>Items that will not be reclassified to profit or loss</i>					
<i>Items arising from the remeasurement of defined benefit liabilities (or assets)</i>	0.0	-	0.0	-	0.2
<i>Taxes on items that will not be reclassified to profit or loss</i>	-	-	-	-	0.0
<i>Items that will not be reclassified to profit or loss, total</i>	<b>0.0</b>	-	<b>0.0</b>	-	<b>0.1</b>
<i>Items that may be reclassified subsequently to profit or loss</i>					
<i>Net loss/profit from cash flow hedges</i>	2.5	3.5	9.5	3.5	8.3
<i>Translation differences</i>	-0.1	0.1	-0.5	0.8	2.3
<i>Taxes on items that may be reclassified subsequently to profit or loss</i>	-0.5	-1.0	-1.8	-1.2	-2.8
<i>Items that may be reclassified subsequently to profit or loss, total</i>	1.9	2.6	7.2	3.1	7.8
<i>Other comprehensive income for the period after taxes</i>	1.9	2.6	7.2	3.1	8.0
<i>Comprehensive profit/loss for the period</i>	<b>21.1</b>	<b>21.4</b>	<b>76.0</b>	<b>80.3</b>	<b>145.5</b>
<i>Attributable to:</i>					
<i>Equity holders of parent company</i>	21.1	21.4	76.0	80.4	145.5
<i>Non-controlling interest</i>	0.0	0.0	0.0	0.0	0.0



## Consolidated balance sheet

M€	30.9.2017	30.9.2016	31.12.2016
<b>ASSETS</b>			
<i>Non-current assets</i>			
<i>Investment properties</i>	3,857.3	3,692.7	3,755.5
<i>Investments in real estate funds</i>	22.5	20.5	22.4
<i>Property, plant and equipment</i>	13.4	13.0	12.9
<i>Goodwill</i>	4.8	9.5	8.5
<i>Other intangible assets</i>	1.5	1.9	1.7
<i>Finance lease receivables</i>	2.7	2.7	2.7
<i>Other investments</i>	3.6	0.1	0.2
<i>Deferred tax assets</i>	12.4	14.6	15.4
<i>Non-current assets total</i>	<b>3,918.3</b>	<b>3,755.0</b>	<b>3,819.4</b>
<i>Current assets</i>			
<i>Trading properties</i>	7.1	9.9	7.2
<i>Trade and other receivables</i>	20.2	26.4	44.2
<i>Cash and cash equivalents</i>	9.8	14.9	12.9
<i>Current assets total</i>	37.1	51.1	64.2
<i>Non-current assets held for sale</i>	17.9	38.7	32.8
<i>Total assets</i>	<b>3,973.3</b>	<b>3,844.8</b>	<b>3,916.5</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<i>Equity attributable to equity holders of the parent company</i>			
<i>Share capital</i>	111.0	111.0	111.0
<i>Share premium reserve</i>	159.4	159.4	159.4
<i>Invested non-restricted equity reserve</i>	652.7	652.7	652.7
<i>Fair value reserve</i>	-14.9	-26.4	-22.6
<i>Revaluation reserve</i>	0.7	0.7	0.7
<i>Other equity fund</i>	94.0	94.0	94.0
<i>Translation differences</i>	0.5	0.1	0.9
<i>Retained earnings</i>	851.9	816.8	851.8
	1,855.4	1,808.3	1,848.1
<i>Non-controlling interest</i>	1.8	1.8	1.8
<i>Shareholders' equity, total</i>	<b>1,857.3</b>	<b>1,810.1</b>	<b>1,849.9</b>
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
<i>Deferred tax liabilities</i>	91.3	92.0	93.1
<i>Provisions</i>	0.6	2.4	2.4
<i>Interest-bearing loans and borrowings</i>	1,263.5	1,403.8	1,313.9
<i>Other liabilities</i>	17.8	33.0	28.2
<i>Non-current liabilities total</i>	<b>1,373.3</b>	<b>1,531.2</b>	<b>1,437.7</b>
<i>Current liabilities</i>			
<i>Current interest-bearing liabilities</i>	680.0	436.1	548.6
<i>Trade and other payables</i>	62.2	59.8	79.7
<i>Tax liabilities based on the taxable income for the period</i>	0.1	7.5	0.4
<i>Current liabilities total</i>	<b>742.4</b>	<b>503.5</b>	<b>628.6</b>
<i>Liabilities associated with non-current assets held for sale</i>	0.3	0.1	0.3
<i>Total borrowings</i>	<b>2,116.0</b>	<b>2,034.7</b>	<b>2,066.6</b>
<i>Total equity and liabilities</i>	<b>3,973.3</b>	<b>3,844.8</b>	<b>3,916.5</b>

## Consolidated Cash Flow Statement

M€	1-9/2017	1-9/2016	1-12/2016
<i>Cash flow from operating activities</i>			
<i>Profit for the period</i>	68.8	77.2	137.5
<i>Adjustments</i>	64.6	56.5	40.5
<i>Change in net working capital</i>	-3.4	2.6	7.9
<i>Interest received</i>	0.2	0.3	0.5
<i>Interest paid</i>	-35.6	-32.6	-45.1
<i>Other financial items</i>	-4.1	-6.2	-7.8
<i>Dividends received</i>	0.0	0.0	0.0
<i>Taxes received/paid</i>	-1.4	-2.0	-11.0
<i>Net cash provided by operating activities</i>	<b>89.3</b>	<b>95.9</b>	<b>122.5</b>
<i>Cash flow from investing activities</i>			
<i>Acquisition of investment properties</i>	-113.8	-652.9	-684.6
<i>Capital expenditure on real estate funds</i>	0.0	-1.1	-3.0
<i>Acquisition of tangible and intangible assets</i>	-0.4	-0.1	-0.1
<i>Proceeds from disposal of investment properties</i>	10.6	27.3	36.4
<i>Proceeds from disposal of real estate funds</i>	-	-	-
<i>Proceeds from disposal of shares in associated companies</i>	-	0.2	0.2
<i>Proceeds from disposal of tangible and intangible assets</i>	-	0.4	0.4
<i>Capital repayments from associated companies</i>	-	-	-
<i>Repayments of loan receivables</i>	-	-	-
<i>Net cash flow from investment activities</i>	<b>-103.6</b>	<b>-626.2</b>	<b>-650.8</b>
<i>Cash flow from financing activities</i>			
<i>Proceeds from share issue</i>	0.0	219.0	218.5
<i>Non-current loans, raised</i>	0.0	535.7	595.7
<i>Non-current loans, repayments</i>	-150.7	-383.8	-444.1
<i>Current loans, raised/repayments</i>	230.5	26.9	49.5
<i>Interest paid on hybrid bond</i>	-	-	-6.4
<i>Dividends paid</i>	-67.9	-74.2	-94.5
<i>Net cash flow from financing activities</i>	<b>11.9</b>	<b>323.7</b>	<b>318.7</b>
<i>Change in cash and cash equivalents</i>	-2.4	-206.6	-209.5
<i>Cash and cash equivalents, beginning of period</i>	12.9	220.0	220.0
<i>Impact of changes in exchange rates</i>	-0.7	1.5	2.4
<i>Cash and cash equivalents, end of period</i>	<b>9.8</b>	<b>14.9</b>	<b>12.9</b>

## Consolidated statement of changes in equity

M€	Share capital	Share premium reserve	Invested non-restricted equity reserve	Fair value reserve	Revaluation reserve	Other equity fund	Translation difference	Retained earnings	Total	Non-controlling interest	Total equity
<i>Equity 1 January 2017</i>	111.0	159.4	652.7	-22.6	0.7	94.0	0.9	851.8	1,848.1	1.8	1,849.9
<i>Comprehensive income</i>											
<i>Profit for the period</i>								68.8	68.8	0.0	68.8
<i>Other comprehensive income (net of tax)</i>											
<i>Cash flow hedges</i>				7.6					7.6	0.0	7.6
<i>Translation differences</i>							-0.4		-0.4	0.0	-0.4
<i>Comprehensive income, total</i>				<b>7.6</b>			<b>-0.4</b>	<b>68.8</b>	<b>76.0</b>	<b>0.0</b>	<b>76.0</b>
<i>Transactions with shareholders</i>											
<i>Share issue</i>											
<i>Dividend payment</i>								-67.9	-67.9	0.0	-67.9
<i>Transactions with shareholders, total</i>								-67.9	-67.9	0.0	-67.9
<i>Repurchase of hybrid bond</i>											
<i>Interest paid on hybrid bond</i>											
<i>Change</i>								-0.7	-0.7	0.1	-0.7
<i>Equity 30 September 2017</i>	<b>111.0</b>	<b>159.4</b>	<b>652.7</b>	<b>-14.9</b>	<b>0.7</b>	<b>94.0</b>	<b>0.5</b>	<b>851.9</b>	<b>1,855.4</b>	<b>1.8</b>	<b>1,857.3</b>

M€	Share capital	Share premium reserve	Invested non-restricted equity reserve	Fair value reserve	Revaluation reserve	Other equity fund	Translation difference	Retained earnings	Total	Non-controlling interest	Total equity
<i>Equity 1 January 2016</i>	111.0	159.4	433.8	-29.2	0.7	94.0	-0.2	813.7	1,583.2	1.8	1,585.0
<i>Comprehensive income</i>											
<i>Profit for the period</i>								77.2	77.2	0.0	77.3
<i>Other comprehensive income (net of tax)</i>											
<i>Cash flow hedges</i>				2.8					2.8	0.0	2.8
<i>Translation differences</i>							0.3		0.3	0.0	0.3
<i>Comprehensive income, total</i>				<b>2.8</b>			<b>0.3</b>	<b>77.2</b>	<b>80.3</b>	<b>0.0</b>	<b>80.4</b>
<i>Transactions with shareholders</i>											
<i>Share issue</i>			219.0						219.0		219.0
<i>Dividend payment</i>								-74.2	-74.2	0.0	-74.2
<i>Transactions with shareholders, total</i>			219.0					-74.2	144.8	0.0	144.8
<i>Repurchase of hybrid bond</i>											
<i>Interest paid on hybrid bond</i>											
<i>Change</i>								-0.1	-0.1	0.0	-0.1
<i>Equity 30 September 2016</i>	<b>111.0</b>	<b>159.4</b>	<b>652.7</b>	<b>-26.4</b>	<b>0.7</b>	<b>94.0</b>	<b>0.1</b>	<b>816.8</b>	<b>1,808.3</b>	<b>1.8</b>	<b>1,810.1</b>

## EPRA KEY FIGURES

EPRA (European Public Real Estate Association) is a non-profit association representing Europe's publicly-listed property companies. EPRA's aim is to promote, develop and represent the operations of European property investment companies and the industry in general. Sponda is an EPRA member.

EPRA also establishes best practices for accounting, financial reporting and administration to support the provision of high-quality and comparable financial information. Sponda adheres to EPRA recommendations in its financial reporting. EPRA key figures for Sponda's operations are presented on the following pages.

More information on EPRA recommendations is available online at [www.epra.com](http://www.epra.com).

### EPRA Earnings

EPRA Earnings illustrates the result of the Group's core business. It is an important indicator for investors and shareholders of how well the operating result supports the payment of dividends. The operating result is calculated by adjusting the Group's result by, inter alia, changes in the fair values of properties and financial instruments, gains and losses on sales, impairment on goodwill and other income and expenses considered by the company to be non-operating items. In addition, EPRA Earnings includes the share of the result of associated companies adjusted by the changes in fair value of the associated companies' investment properties and financial instruments, and deferred taxes.

In order to facilitate the monitoring of the operating result, Sponda presents the Group's operating result and operating result per share in accordance with EPRA recommendations.

Sponda's result includes several non-operating items. These items are primarily due to the nature of Sponda's business operations and IFRS reporting obligations.

The EPRA Earnings figure is presented below using two different calculation methods.

M€	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
<i>EPRA Earnings</i>					
<i>Earnings for the period per IFRS income statement</i>	19.2	18.8	68.8	77.2	137.5
<i>-/+ Net profits or losses from fair value assessment of investment properties</i>	-1.3	10.0	19.4	7.0	-26.7
<i>-/+ Net profits or losses on disposal of investment properties</i>	-0.4	-0.8	-3.4	-0.8	-0.7
<i>-/+ Net profits or losses on sales of trading properties</i>	0.0	-0.8	-7.5	-13.3	-14.6
<i>+/- Taxes arising from above items based on result</i>	-	-1.3	-	-0.5	-0.9
<i>+/- Impairment and amortisation of goodwill</i>	1.4	0.8	3.7	2.1	3.1
<i>-/+ Changes in fair value of financial instruments</i>	0.4	0.0	0.8	0.6	0.4
<i>+/- Deferred taxes arising from the above items</i>	1.9	4.3	-2.7	12.7	15.0
<b>EPRA Earnings</b>	<b>21.0</b>	<b>31.0</b>	<b>79.1</b>	<b>84.9</b>	<b>113.1</b>
<b>EPRA Earnings per share, €</b>	<b>0.06</b>	<b>0.09</b>	<b>0.23</b>	<b>0.26</b>	<b>0.35</b>
<i>Company adjustments:</i>					
<i>Deferred taxes on operating result</i>	0.3	1.2	2.1	2.3	0.6
<i>Effect on income taxes from change in fair value</i>	-0.1	-	-0.2	-	-0.1
<b>Adjusted EPRA Earnings</b>	<b>21.3</b>	<b>32.2</b>	<b>81.1</b>	<b>87.1</b>	<b>113.7</b>
<b>Adjusted Earnings per share, €</b>	<b>0.06</b>	<b>0.09</b>	<b>0.24</b>	<b>0.27</b>	<b>0.35</b>

EPRA Earnings can also be calculated from the income statement from top to bottom. The following table presents the EPRA Earnings calculation using this method.

M€	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
<b>EPRA Earnings</b>					
Net operating income	48.9	51.5	145.5	143.8	190.9
+ Realised shares of profit from real estate funds	-	-	-	-	-
- Operational marketing and administration expenses	-7.5	-4.9	-19.7	-16.4	-22.8
+/- Other operational income and expenses from business operations	-7.3	-0.1	-7.2	0.3	-0.4
Operating profit	34.1	46.4	118.5	127.7	167.8
+/- Operational financial income and expenses	-12.4	-12.8	-36.3	-37.6	-50.8
-/+ Taxes based on operating result	-0.4	-1.4	-1.1	-3.0	-3.2
- Deferred taxes based on operating result	-0.3	-1.2	-2.1	-2.3	-0.6
<b>EPRA Earnings</b>	<b>21.0</b>	<b>31.0</b>	<b>79.1</b>	<b>84.9</b>	<b>113.1</b>
<b>EPRA Earnings per share, €</b>	<b>0.06</b>	<b>0.09</b>	<b>0.23</b>	<b>0.26</b>	<b>0.35</b>
<b>Company adjustments:</b>					
Deferred taxes on operating result	0.3	1.2	2.1	2.3	0.6
Effect on income taxes from change in fair value	-0.1	-	-0.2	-	-0.1
<b>Adjusted EPRA Earnings</b>	<b>21.3</b>	<b>32.2</b>	<b>81.1</b>	<b>87.1</b>	<b>113.7</b>
<b>Adjusted Earnings per share, €</b>	<b>0.06</b>	<b>0.09</b>	<b>0.24</b>	<b>0.27</b>	<b>0.35</b>

#### **EPRA NAV (net asset value) and EPRA NNAV (adjusted net asset value)**

EPRA NAV is a measure of the fair value of the property investment company's net assets, which makes it an important indicator. Compared to IFRS net assets, the EPRA NAV calculation is based on the going concern principle, meaning that the fair values of financial derivatives are eliminated along with deferred taxes on future property sales.

EPRA NNAV is a measure of the property investment company's net assets on the balance sheet date. It includes the fair values of financial derivatives and deferred taxes excluded from EPRA NAV, as well as the fair values of liabilities.

M€	30.9.2017	30.9.2016	31.12.2016
<b>EPRA NAV, M€</b>			
Equity attributable to equity holders of the parent company	1,855.4	1,808.3	1,848.1
- Other equity reserve	-94.0	-94.0	-94.0
+ Fair value of financial instruments	16.8	33.1	28.1
+ Deferred tax liabilities arising from the fair value assessment of investment properties	90.1	90.6	92.8
- Goodwill arising from the fair value assessment of investment properties	-4.8	-9.5	-8.5
<b>EPRA NAV, M€</b>	<b>1,863.5</b>	<b>1,828.5</b>	<b>1,866.5</b>
<b>EPRA NAV/share, €</b>	<b>5.49</b>	<b>5.38</b>	<b>5.49</b>
<b>EPRA NNAV, M€</b>			
EPRA NAV, M€	1,863.5	1,828.5	1,866.5
- Fair value of financial instruments	-16.8	-33.1	-28.1
-/+ Difference between the fair value and balance sheet value of liabilities	-9.9	-15.9	-22.0
- Deferred tax liabilities arising from the fair value assessment of investment properties	-90.1	-90.6	-92.8
<b>EPRA NNAV, M€</b>	<b>1,746.7</b>	<b>1,688.9</b>	<b>1,723.6</b>
<b>EPRA NNAV/share, €</b>	<b>5.14</b>	<b>4.97</b>	<b>5.07</b>



## NOTES TO THE INTERIM REPORT

### **Accounting principles**

This interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting).

The preparation of the financial statements in accordance with IFRS requires management to make estimates and judgments that affect the valuation of reported assets and liabilities as well as the recognition of income and expenses. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may differ from the values used.

All figures are presented in millions of euros and rounded to the nearest EUR 0.1 million, in which case the sum of individual figures may deviate from the total shown.

More detailed information on the accounting principles can be found in Sponda Plc's consolidated financial statements dated 31 December 2016.

The figures in the interim report have not been audited.

IFRS 15 Revenue from Contracts with Customers will replace the current IAS 18 and IAS 11 standards and related interpretations effective from 1 January 2018. Sponda Group's revenues are almost entirely comprised of rental income based on lease agreements, which are within the scope of application of IAS 17 / IFRS 16 Leases. As a result, the standard will not have a significant impact on the Group's reporting. The potential impacts of the standard are related to the recognition of revenue from property sales.

IFRS 9 will replace the current IAS 39 standard effective from 1 January 2018. The most significant changes in the new standard are related to the classification of financial instruments, liabilities and investments, the accounting of credit losses and requirements pertaining to hedge accounting. Due to Sponda Plc's financing structure, the effects of the new standard on the Group's reporting will be minor.

More detailed information on the new standards and their impacts on the Group's reporting is provided in Sponda Plc's consolidated financial statements of 31 December 2016.

### **Segment information**

Sponda has revised its segment reporting, effective from the beginning of 2017, to better correspond to its current strategic focus areas. Effective from 1 January 2017, the segments are Office Properties, Shopping Centres, Property Development, Non-Strategic Holdings and the Other segment. The Non-Strategic Holdings segment includes the remaining logistics properties, properties in Russia and the Property Investment Companies segment. The Other segment includes expenses not allocated to any of the Group's businesses.

## Income statement by segment

1-9/2017 M€	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings	Other	Group total
Total revenue	127.0	56.7	0.7	12.6	0.0	197.1
Maintenance expenses and direct fund expenses	-32.5	-12.4	-1.9	-4.7	0.0	-51.6
Net operating income	94.5	44.3	-1.2	7.9	0.0	145.5
Profit on sales of investment properties	0.7	-	-	2.9	-	3.6
Loss on sales of investment properties	-	-	0.3	-0.5	-	-0.3
Profit/loss on disposal of associated companies	-	-	-	-	-	-
Profit/loss on trading properties	-	-	7.5	-	-	7.5
Valuation gains/losses on fair value assessment	-13.0	0.1	10.4	-17.0	-	-19.4
Amortisation of goodwill	-	-	-3.7	-	-	-3.7
Administration and marketing	-8.5	-5.2	-4.1	-2.0	0.0	-19.7
Other operating income and expenses	-0.1	-0.2	0.3	-0.2	-6.9	-7.2
Operating profit	73.6	38.9	9.5	-8.9	-6.9	106.3
Investments	35.9	4.4	71.0	0.5	1.1	112.8
Segment assets	2,225.2	1,199.8	275.7	204.3	68.2	3,973.3
- of which classified as held for sale	7.7	-	-	10.2	-	17.9
Economic Occupancy Rate	88.2	93.9	-	69.8	-	88.5

1-9/2016 M€	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings	Other	Group total
Total revenue	125.3	51.8	1.0	14.9	0.2	193.2
Maintenance expenses and direct fund expenses	-31.7	-10.7	-1.7	-5.4	0.0	-49.5
Net operating income	93.6	41.1	-0.6	9.6	0.1	143.8
Profit on sales of investment properties	0.2	-	-	1.2	-	1.4
Loss on sales of investment properties	-0.1	-	-0.4	0.0	0.0	-0.5
Profit/loss on disposal of associated companies	-	-	-	-0.1	-	-0.1
Profit/loss on trading properties	-	-	13.3	-	0.0	13.3
Valuation gains/losses on fair value assessment	10.8	-1.5	4.7	-21.0	-	-7.0
Amortisation of goodwill	-	-	-2.1	-	0.0	-2.1
Administration and marketing	-8.3	-2.8	-3.0	-1.9	-0.3	-16.4
Other operating income and expenses	0.0	0.0	0.0	0.1	0.2	0.3
Operating profit	96.2	36.8	11.9	-12.1	0.1	132.8
Investments	176.8	431.6	41.0	2.1	0.1	651.7
Segment assets	2,183.9	1,170.9	176.7	232.6	80.7	3,844.8
- of which investment properties held for sale	30.2	-	-	8.5	-	38.7
Economic Occupancy Rate	88.8	93.2	-	79.8	-	89.3

## Key figures

	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Earnings per share, €	0.05	0.05	0.19	0.23	0.41
Equity ratio, %			46.8	47.2	47.4
Gearing ratio, %			104.1	100.8	100.0
Equity per share, €			5.19	5.05	5.16
Cash flow from operations per share, €	0.06	0.10	0.25	0.31	0.40

## Quarterly key figures

	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016
Total revenue, M€	64.1	66.8	66.1	65.7	66.3
Net operating income, M€	48.9	50.2	46.3	47.2	51.5
Valuation gains/losses on fair value assessment, M€	1.3	-21.7	1.0	33.7	-10.0
Operating profit, M€	34.5	27.5	44.3	73.9	37.2
Financial income and expenses, M€	-12.8	-12.2	-12.2	-13.1	-12.8
Profit/loss for the period, M€	19.2	17.3	32.3	60.3	18.8
Investment properties, M€	3,857.3	3,807.5	3,805.5	3,755.5	3,692.7
Shareholders' equity, M€	1,857.3	1,836.7	1,857.7	1,849.9	1,810.1
Interest-bearing liabilities, M€	1,943.6	1,939.1	1,875.1	1,862.5	1,839.9
Earnings per share, €	0.05	0.05	0.09	0.17	0.05
Cash flow from operations per share, €	0.06	0.11	0.08	0.08	0.10
EPRA NAV/share, €	5.49	5.42	5.50	5.49	5.38
Economic Occupancy Rate, %	88.5	89.1	89.1	89.6	89.3

## Itemisations required for alternative key figures

M€	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Depreciation in administration	-0.2	-0.2	-0.8	-0.7	-1.0
Defined benefit pension plans	0.0	0.0	0.0	0.0	0.0
Financial income and expenses affecting cash flow	-13.2	-13.4	-40.9	-39.2	-52.0
Change in provisions in the income statement / realised provision	-	-	1.8	-	-
Changes in fair value of associated companies' investment properties and financial instruments, and deferred taxes	-	-	-	-	-
Advances received			3.3	5.1	5.7
Rent deposits received			5.5	5.0	5.2

## Investment Properties

At the end of September 2017, Sponda had a total of 165 leasable properties, with an aggregate leasable area of approximately 1.2 million m<sup>2</sup>. Of this total, approximately 70% is office premises, 17% shopping centres and 11% logistics premises. Approximately 1% of the leasable area is located in Russia.

The fair values of Sponda's investment properties are confirmed as a result of the company's own cash flow-based yield value calculations. The assessment method complies with International Valuation Standards (IVS). The data used in the calculations of fair value is audited at least twice a year by external experts to ensure that the parameters and values used in the calculations are based on market observations.

At the end of September 2017, the fair value of Sponda's investment properties was assessed internally for both Finland and Russia. The fair value of the investment properties totalled EUR 3.9 billion at the end of September 2017. The change in the fair value of the investment properties in the third quarter was EUR 1.3 (-10.0) million. No changes were made to the yield requirements. The value of Sponda's properties in Finland developed favourably, primarily due to an increase in market rents and the property development margin. The negative change in the fair value was mainly attributable to exchange rate changes in Russia.

M€	30.9.2017	30.9.2016	31.12.2016
Fair value of investment properties, 1 Jan.	3,755.5	3,101.7	3,101.7
Non-current assets held for sale, 1 Jan.	32.8	10.2	10.2
Acquisition of investment properties	12.5	589.5	590.5
Other capital expenditure on investment properties	99.1	61.0	91.9
Disposals of investment properties	-7.4	-26.7	-35.9
Capitalised borrowing costs, increase in period	2.0	0.7	1.2
Valuation gains/losses on fair value assessment	-19.4	-5.0	28.7
Investment properties reclassified as held for sale	-17.8	-38.6	-32.8
Fair value of investment properties, end of period	3,857.3	3,692.7	3,755.5
Investment properties held for sale	17.8	38.6	32.8

### The Group's most significant investment commitments

The balance sheet value of Sponda's property development portfolio stood at EUR 270.9 million at the end of September 2017. Of this total, EUR 47.9 million was in undeveloped land sites and the remaining EUR 223.0 million was tied up in property development projects in progress. The value of unused building rights is presented in the assets of the segment concerned for investment properties that have a building, and as part of the Property Development segment for building rights for unbuilt land.

The Property Development unit invested a total of EUR 71.0 million in January–September. The investments were primarily directed to the construction of the Ratina shopping centre and the office and retail complex in Tikkurila.

The Ratina shopping centre project is progressing on schedule. The Grand Opening of the shopping centre is scheduled for 19 April 2018. The complex comprises a total of approximately 53,000 m<sup>2</sup> of retail and service premises for more than 150 businesses. The project's total investment, including the land value, is estimated at approximately EUR 240 million, with some EUR 165 million invested to date. The project's target development margin is 15% and the estimated net yield on cost is 7.5%. The shopping centre section's signed and agreed lease agreements cover approximately 74% of the leasable area. The pre-let rate for the Ratina project as a whole is approximately 61%.

Sponda's other significant new construction project, an office and retail complex at Tikkurila railway station in Vantaa, will be implemented in two phases. The installation of the frame elements for the first stage of construction is now complete. Roofing work and cladding work on the facade are underway. Work on building service systems was started, and it is progressing in parallel with the construction work. The project's first phase will be completed in spring 2018, comprising a total of 9,500 m<sup>2</sup> of leasable space, half of which will be office space and the other half retail and service premises as well as parking space. The investment size for the first phase is approximately EUR 31 million and the property is 65% pre-let. The project's yield on cost is approximately 7.3%. Some EUR 16.3 million has been invested in the project to date. The plan for the project's second phase involves the construction of approximately a further 4,000 m<sup>2</sup> of leasable business premises. The decision on commencing the second phase will be made later based on the occupancy rate.

### Trading properties

M€	30.9.2017	30.9.2016	31.12.2016
<i>Carrying amount, beginning of period</i>	7.2	7.7	7.7
<i>Disposals and other changes</i>	0.0	2.1	-0.5
<i>Carrying amount, end of period</i>	<b>7.1</b>	<b>9.9</b>	<b>7.2</b>

### Collateral and contingent liabilities

Collateral and commitments given by the Group, M€	30.9.2017	30.9.2016	31.12.2016
<i>Loans from financial institutions, covered by collateral</i>	177.4	178.2	178.0
<i>Mortgages</i>	288.1	288.1	288.1
<i>Carrying amount of pledged shares</i>	46.1	45.1	46.4
<i>Total collateral</i>	<b>334.2</b>	<b>333.2</b>	<b>334.5</b>
<b>Lease and other liabilities, M€</b>	<b>30.9.2017</b>	<b>30.9.2016</b>	<b>31.12.2016</b>
<i>Lease liabilities</i>	50.1	49.9	49.4
<i>Mortgages</i>	11.7	14.5	14.4
<i>Guarantees and deposit guarantees</i>	3.4	2	4.4
<i>Investment commitments to real estate funds</i>	3.5	5.5	3.6
<b>Interest rate derivatives, M€</b>	<b>30.9.2017</b>	<b>30.9.2016</b>	<b>31.12.2016</b>
<i>Swap contracts, notional value</i>	555.0	655.0	655.0
<i>Swap contracts, fair value</i>	-18.7	-33.0	-28.2
<i>Eurobasis swaps, notional value</i>	150	150.0	150.0
<i>Eurobasis swaps, fair value</i>	0.0	-0.2	-0.1
<i>Cap options purchased, notional value</i>	511.6	362.5	362.2
<i>Cap options purchased, fair value</i>	1.8	0.1	0.2
<b>Currency derivatives, M€</b>	<b>30.9.2017</b>	<b>30.9.2016</b>	<b>31.12.2016</b>
<i>Currency options, bought, notional value</i>	2.9	5.1	5.0
<i>Currency options, bought, fair value</i>	0.0	0.0	0.0
<i>Currency options, put, notional value</i>	-	-	-
<i>Currency options, put, fair value</i>	-	-	-

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All derivative contracts belong to level 2 in the fair value hierarchy mentioned in IFRS 7. Sponda utilises external valuations.

***Related party transactions***

The following related party transactions were carried out:

<b>Management employee benefits, M€</b>	<b>30.9.2017</b>	<b>30.9.2016</b>	<b>31.12.2016</b>
<i>Salaries and other short-term employee benefits</i>	2.0	1.4	1.9
<i>Share-based payments</i>	3.0	0.6	0.9
<i>Total</i>	<b>5.0</b>	<b>2.0</b>	<b>2.9</b>

## FORMULAS FOR THE KEY INDICATORS AND ITEMISATIONS AND BRIDGE CALCULATIONS REQUIRED FOR ALTERNATIVE KEY FIGURES IN ACCORDANCE WITH ESMA GUIDANCE

### IFRS key figures

$$\text{Earnings per share, €} = \frac{\text{Share of earnings for the period attributable to equity holders of the parent company – interest and expenses on hybrid loan allocated to the period, adjusted for taxes}}{\text{Weighted average number of shares outstanding during the period}}$$

$$\text{Equity per share, €} = \frac{\text{Equity attributable to equity holders of the parent company} - \text{Other equity reserve}}{\text{Undiluted total number of shares on the date of closing the books}}$$

### Alternative key figures defined in accordance with ESMA guidance

$$\text{Equity ratio, \%} = \frac{100}{x} \times \frac{\text{Equity}}{\text{Balance sheet total - advances and rent deposits received}}$$

The equity ratio is an indicator of the financial structure that shows the percentage of equity in the capital tied up in operations. Reflects the company's financial structure.

$$\text{Gearing ratio, \%} = \frac{100}{x} \times \frac{\text{Non-current and current interest-bearing liabilities - Cash and cash equivalents}}{\text{Equity}}$$

The gearing ratio is an indicator of the financial structure that illustrates the ratio between net debt and equity items. Reflects the company's financial structure.

$$\text{LTV, Loan to value} = \frac{\text{Non-current and current interest-bearing liabilities - Cash and cash equivalents}}{\text{Investment properties, Investments in real estate funds, Investments in associated companies, Property, plant and equipment, Trading properties and Non-current assets held for sale total}}$$

Loan to Value indicates the share of liabilities, less cash and cash equivalents, in funding the asset items included in the denominator. Reflects the company's financial structure.

$$\text{Cash flow from operations per share, €} = \text{Operating profit} - \text{Fair value adjustment} + \text{Amortisation of goodwill}$$



+ Depreciation in administration  
 +/- Changes in provisions  
 +/- Defined benefit pension expenses  
 - Financial income & expenses affecting cash flow  
 - Taxes affecting cash flow  
 +/- Changes in fair value of associated companies' investment properties and financial instruments, and deferred taxes

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Weighted average number of shares outstanding during the period

Cash flow from operations per share is an indicator of cash flow per share based on the income statement. The company uses this figure as a measure of its dividend payout capacity in its dividend policy.

EPRA Earnings = Earnings for the period per IFRS income statement

- /+ Net profits or losses from fair value assessment of investment properties
- /+ Net profits or losses on disposal of investment properties
- /+ Net profits or losses on sales of trading properties
- +/- Tax on profits or losses on disposals
- +/- Negative goodwill / goodwill impairment
- /+ Changes in fair value of financial instruments
- +/- Deferred taxes arising from the above items

Adjusted EPRA Earnings = EPRA Earnings  
 +/- Deferred taxes on operating result

EPRA Earnings and company adjusted EPRA Earnings illustrate the earnings from the Group's core business

EPRA NAV per share, € = Equity attributable to equity holders of the parent company

- Other equity reserve
- + Fair value of financial instruments
- + Deferred tax liabilities resulting from the assessment of fair value of properties and depreciation difference
- Goodwill created from the deferred tax liabilities on properties

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Undiluted total number of shares on the date of closing the books

EPRA NAV/share is an indicator of net assets per share adjusted by items that are not assumed to be realised provided that the company continues its business operations in accordance with the going concern principle.

EPRA NNNAV/share, € = EPRA NAV

- Fair value of financial instruments
- Difference between the fair value and balance sheet value of liabilities

- Deferred tax liabilities arising from the fair value assessment of investment properties

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Undiluted total number of shares on the balance sheet date

EPRA NNNAV per share is an indicator of net assets per share based on the fair value assessment of balance sheet items on the reporting date.

### **Other key figures**

$$\text{EPRA Net Initial Yield (NIY), \%} = \frac{\text{Annualised net rental income}}{\text{Investment properties} - \text{Development properties} + \text{Estimated purchaser's costs}}$$

$$\text{EPRA "topped-up" NIY, \%} = \frac{\text{Annualised net rental income} + \text{Step rents, rent free periods, etc.}}{\text{Investment properties} - \text{Development properties} + \text{Estimated purchaser's costs}}$$

The reconciliation calculations for the selected alternative key figures are provided under EPRA Earnings, EPRA NAV and EPRA NNNAV.