



# Q4

## FULL YEAR RESULT 1.1.–31.12.2017

*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.*

## TABLE OF CONTENTS

SPONDA PLC'S FULL YEAR RESULT JANUARY–DECEMBER 2017:.....	3
YEAR 2017 IN BRIEF (COMPARED WITH YEAR 2016).....	3
OCTOBER–DECEMBER 2017 IN BRIEF (COMPARED WITH 1 OCTOBER–31 DECEMBER 2016).....	3
KEY FIGURES.....	3
BUSINESS CONDITIONS.....	3
GROUP RESULT IN 2017.....	3
PROPERTY ASSETS 1 JANUARY–31 DECEMBER 2017.....	3
RENTAL OPERATIONS.....	4
DIVESTMENTS AND INVESTMENTS.....	5
RESULTS BY SEGMENT.....	5
FINANCING AND BALANCE SHEET KEY FIGURES.....	6
SPONDA'S SHARE AND SHAREHOLDERS.....	6
GROUP STRUCTURE.....	7
BOARD OF DIRECTORS AND AUDITORS.....	7
BOARD COMMITTEES.....	7
SPONDA'S MANAGEMENT.....	7
PERSONNEL.....	7
ANNUAL REMUNERATION AND INCENTIVE SCHEMES.....	7
ENVIRONMENTAL RESPONSIBILITY.....	7
RISKS AND UNCERTAINTY FACTORS IN THE NEAR FUTURE.....	8
PROSPECTS FOR 2018.....	8
EVENTS AFTER THE PERIOD.....	8
BOARD PROPOSAL FOR DIVIDEND.....	8
SPONDA PLC INTERIM REPORT 1 JANUARY–31 DECEMBER 2017, TABLES.....	9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	15
Formulas for the key indicators and itemisations and bridge calculations required for alternative key figures in accordance with ESMA guidance.....	20

## SPONDA PLC'S FULL YEAR RESULT JANUARY–DECEMBER 2017:

### YEAR 2017 IN BRIEF (COMPARED WITH YEAR 2016)

- Total revenue increased to EUR 263.7 (259.0) million.
- Net operating income totalled EUR 193.7 (190.9) million.
- Operating profit was EUR 173.5 (206.7) million. This includes a fair value change of EUR 4.9 (26.7) million.
- Earnings per share was EUR 0.65 (0.41).
- The fair value of the investment properties amounted to EUR 3,935.3 (3,755.5) million.
- The economic occupancy rate was 89.6 (89.6)%.

### OCTOBER–DECEMBER 2017 IN BRIEF (COMPARED WITH 1 OCTOBER–31 DECEMBER 2016)

- Total revenue was EUR 66.6 (65.7) million.
- Net operating income totalled EUR 48.2 (47.2) million.
- Operating profit was EUR 67.2 (73.9) million. This includes a fair value change of EUR 24.4 (33.7) million.
- Earnings per share was EUR 0.46 (0.17).

### KEY FIGURES

	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Total revenue, M€	66.6	65.7	263.7	259.0
Net operating income, M€	48.2	47.2	193.7	190.9
Operating profit, M€	67.2	73.9	173.5	206.7
Earnings per share, €	0.46	0.17	0.65	0.41
Equity per share, €			4.49	5.16
Equity ratio, %			32.0	47.4

### BUSINESS CONDITIONS

Economic growth in Finland has been stronger than estimated and the growth is expected to continue in 2018. According to the Ministry of Finance's forecast, the Finnish GDP will grow by 2.4% in 2018. The rapid improvement of the economy also has a positive impact on employment. According to Statistics Finland, the unemployment rate was 7.1% at the end of November 2017.

### GROUP RESULT IN 2017

Sponda Group's result for 2017 was EUR 224.5 (137.5) million, while the result before taxes was EUR 98.3 (155.5) million and operating profit was EUR 173.5 (206.7) million.

Net operating profit increased by 1.5% to EUR 193.7 (190.9) 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 and the negative development of the net operating income of a like-for-like portfolio, totalling EUR -1.9 million. Marketing and administration expenses and other operating income and expenses totalled EUR 32.9 (23.1) million. Marketing and administration expenses totalled EUR 25.5 (22.8) 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 12.9 (15.4) million from the sales of investment and trading properties. The change in fair value of the investment properties was positive, EUR 4.9 (26.7) million, mainly due to the effect of positive yield changes in Finland. The Group's result was weighed down by amortisation of goodwill amounting to EUR 5.2 (3.1) 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 -75.2 (-51.2) million. The net amount of financial income and expenses was negatively affected by the refinancing agreements made during the last quarter. The financial costs increased due to restructuring of Sponda's financing. Deferred tax liabilities decreased by EUR 127.4 million during the year, mainly due to the said refinancing. The main difference to prior debt structure is the fact that the debt is now on the property level.

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–31 DECEMBER 2017

At the end of 2017, Sponda had a total of 164 leasable properties, with an aggregate leasable area of approximately 1.2 million m<sup>2</sup>. Of this total, approximately 60% is office premises, 22% shopping centres and 17% 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 2017, the fair value of Sponda's investment properties was assessed externally both in Finland (Catella Property Oy) and in Russia (CB Richard Ellis). The fair value of the investment properties totalled EUR 3.9 billion at the end of 2017.

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

M€	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Changes in yield requirements (Finland)	31.0	42.9	46.2	60.1
Changes in yield requirements (Russia)	0.0	0.0	0.0	-4.1
Development gains on property development projects	3.4	2.0	13.9	7.4
Modernisation investments	-10.1	-11.2	-37.8	-31.0
Change in market rents and maintenance costs (Finland)	4.7	2.6	2.8	12.6
Change in market rents and maintenance costs (Russia)	-3.1	-2.9	-15.8	-14.1
Change in currency exchange rates	0.2	0.3	-2.6	-2.1
Investment properties, total	26.1	33.7	6.7	28.7
Real estate funds	-1.7	0.0	-1.7	-2.0
Realised share of fund profits	0.0	0.0	0.0	0.0
Group, total	24.4	33.7	4.9	26.7

#### Changes in Sponda's investment property assets 1 January–31 December 2017

M€	Total	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings
Operating income	263.1	169.7	76.2	0.8	16.3
Maintenance expenses	-68.5	-43.5	-16.6	-2.1	-6.3
Net operating income	194.7	126.2	59.7	-1.3	10.1
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	3.3	-	-	3.3	-
Acquisitions	12.5	12.5	-	-	-
Investments	137.6	30.9	7.0	99.0	0.7
Transfers between segments/property classes	2.0	-	-	2.0	-
Sales	-15.0	-9.1	-	-	-5.9
Change in fair value	6.7	-6.4	19.1	13.9	-20.0
Reclassifications to non-current assets held for sale	-	-	-	-	-
Investment properties on 31 December 2017	3,935.3	2,229.0	1,221.5	305.8	179.1
Change in fair value, %	0.2	-0.3	1.6	7.6	-10.8

## RENTAL OPERATIONS

At the end of 2017, Sponda had 1,860 clients and a total of 3,006 lease agreements.

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

The **average length of all lease agreements** was 3.8 (3.8) years. The average length of lease agreements was 4.0 (3.8) years for office properties and 3.9 (4.4) years for shopping centres.

The lease agreements expire as follows:

% of rental income	Total property portfolio	
	31.12.2017	31.12.2016
Within 1 year	17.0	19.9
Within 2 years	12.8	12.7
Within 3 years	10.3	10.9
Within 4 years	12.6	7.6
Within 5 years	11.3	11.9

Within 6 years	3.4	5.5
After more than 6 years	20.5	19.8
Valid indefinitely	12.1	11.8

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

## DIVESTMENTS AND INVESTMENTS

### Divestments

M€	1.10.- 31.12.2017	1.10.- 31.12.2016	1.1.- 31.12.2017	1.1.- 31.12.2016
<i>Disposals of investment properties</i>				
<i>Selling price</i>	8.2	9.1	19.0	36.7
<i>Profit/loss on sale *)</i>	0.6	-0.1	4.0	0.8
<i>Balance sheet value</i>	7.6	9.2	15.0	35.9

\*) Includes sales costs

### Investments

M€	1.10.- 31.12.2017	1.10.- 31.12.2016	1.1.- 31.12.2017	1.1.- 31.12.2016
<i>Properties acquired</i>	0.0	-1.0	-12.5	-590.5
<i>Modernisation investments</i>	-10.1	-11.2	-37.8	-31.0
<i>Property development investments</i>	-28.3	-19.7	-99.7	-60.9
<i>Investment, total</i>	-38.4	-31.9	-150.1	-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.

In 2017, turnover was EUR 170.1 (167.2) million and net operating income was EUR 125.6 (124.1) million.

	10-12/2017	10-12/2016	1-12/2017	1-12/2016
<i>Total revenue, M€</i>	43.1	41.9	170.1	167.2
<i>Net operating income, M€</i>	31.1	30.5	125.6	124.1
<i>Operating profit, M€</i>	35.9	42.2	109.5	138.4
<i>Economic occupancy rate, %</i>			88.8	89.2
<i>Fair value of properties, M€</i>			2,229.0	2,190.4
<i>-excludes properties classified as held for sale, M€</i>			-	10.6
<i>Change in fair value from beginning of year, M€</i>			-6.4	25.2
<i>Leasable area, m<sup>2</sup></i>			800,500	808,500

### Shopping Centres

The Shopping Centres segment is responsible for the leasing, purchase and sales of shopping centres and retail premises in Finland. In 2017, turnover was EUR 76.2 (70.3) million and net operating income was EUR 59.6 (54.8) million.

	10-12/2017	10-12/2016	1-12/2017	1-12/2016
<i>Total revenue, M€</i>	19.5	18.5	76.2	70.3
<i>Net operating income, M€</i>	15.3	13.7	59.6	54.8
<i>Operating profit, M€</i>	32.9	35.2	71.8	72.0
<i>Economic occupancy rate, %</i>			95.0	93.5
<i>Fair value of properties, M€</i>			1,221.5	1,195.4
<i>Change in fair value from beginning of year, M€</i>			19.1	21.3
<i>Leasable area, m<sup>2</sup></i>			201,500	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 305.8 million at the end of 2017. Of this total, EUR 47.9 million was in undeveloped land sites and the remaining EUR 257.9 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 99.7 million in 2017. The investments were primarily directed to the construction of the Ratina shopping centre and the office and retail complex in Tikkurila. The total of committed investments are EUR 271 million. Of this, approximately EUR 209 million was invested by 31 December 2017.

## 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 179.1 million at the end of 2017. Of this total, logistics properties accounted for EUR 81.1 million and properties in Russia for EUR 97.9 million.

The occupancy rate of the logistics properties was 72.1% (74.0%) and that of the properties in Russia was 77.9% (84.8%).

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 20.7 million at the end of 2017.

## FINANCING AND BALANCE SHEET KEY FIGURES

Sponda Group's interest-bearing debt grew significantly during the last quarter of 2017 due to refinancing activities. Interest-bearing debt amounted to EUR 3.186 (1.863) million at the end of December 2017. The Group's cash funds totalled EUR 729 (13) million, and net debt was EUR 2.457 (1.850) million. The debt portfolio comprised EUR 325 million in bonds, EUR 319 million in issued commercial papers, and EUR 2,542 million in loans from financial institutions. Sponda had EUR 47 million in unused credit limits. The level of loans from financial institutions grew significantly as Sponda had higher amount of mortgaged loans than before. In total, mortgaged loans amounted to EUR 2,579 million, or approximately 54% of the consolidated balance sheet.

The key balance sheet figures for the end year changed due to said refinancing, dividends paid and equity repayment. Sponda's equity ratio on 31 December 2017 stood at 32.0% (47.4%). Loan to Value (LTV), based on net debt, was 61.8% (48.3%). The weighted average maturity of Sponda's loans was 1.8 (2.6) years. The average interest rate was 3.4% (2.7%) including interest derivatives and periodized arrangement fees. Fixed-rate and interest-hedged loans accounted for 56% (67%) of the loan portfolio.

Sponda's net financing costs for the period totalled EUR -75.2 (-51.2) million. Interest expenses of EUR 3.3 (1.2) million were capitalised. Net cash flow from operations in the period under review totalled EUR 61.8 (122.5) million. Net cash flow from investing activities was EUR -132.1 (-650.8) million and the net cash flow from financing activities was EUR 787.2 (318.8) million.

### Balance sheet key figures

	31.12.2017	30.9.2017	30.6.2017	31.3.2017	31.12.2016
Equity ratio, %	32.0	46.8	46.6	47.4	47.4
Average interest rate, %	3.4	2.4	2.4	2.7	2.7
Hedging, %	56	57	64	72	67
Average loan maturity, years	1.8	2.0	2.2	2.4	2.6
Loan to Value (LTV)*, %	61.8	49.4	49.3	48.2	48.3
Interest-bearing debt, EUR million	3,186	1,944	1,939	1,875	1,863
Cash reserves, EUR million	729	10	33	15	13
Credit limits for investment projects, EUR million	47	0	0	0	0
Unused credit limits, EUR million	0	590	613	438	438

\*) Based on net debt

## SPONDA'S SHARE AND SHAREHOLDERS

### 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. 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. On 5 December 2017, Polar Bidco S.à r.l. announced, that it has obtained ownership of all the shares in Sponda and, simultaneously, Nasdaq Helsinki Ltd

decided that Sponda will be delisted from the official list of Nasdaq Helsinki Ltd. The quoting of the shares in Sponda ceased on 5 December 2017.

## 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.

## 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, and the heads of five business units, in total seven persons.

## PERSONNEL

The objectives of Sponda's human resource strategy for 2018 are as follows: developing competence management, investing in good leadership and developing well-being at work.

### *Key figures for personnel*

	31.12.2017	31.12.2016
<i>Average number of employees, Group</i>	106	107
<i>Average number of employees, parent company</i>	101	98

## 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 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 committed to an energy efficiency agreement set by Ministry of Economic Affairs and Employment, Ministry of the Environment and Energy Authority for 2017-2025. According to the agreement, energy efficiency target is to reduce energy consumption by 7.5% by 2025, calculated from the year 2015 level. In 2017, Sponda made progress as planned to reach this target.

During 2017, Sponda gained two new environmental certifications. BREEAM In-Use, at the level of Very Good, was obtained by the shopping centres Citycenter and Zeppelin. In 2017, Sponda was progressing with new certificates for both greenfield and maintenance improvement properties. Total of 29% of Sponda's properties are certified calculated from the total leasable area.

Sponda continued to be ranked among the best companies in the property sector in the international sustainability assessments. 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 Green Star –acknowledgement for fifth year

running. Sponda also retained an excellent Leadership A- grade in the annual CDP Climate –assessment. This result was the best in Finland and was also in the top ranking in Nordic level in the Real Estate peer group.

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**

<b>Sponda’s properties in Finland</b>	<b>1/2017–12/2017</b>	<b>1/2016–12/2016</b>	<b>Number of properties</b>
<i>Specific energy consumption, kWh/gross m<sup>2</sup></i>	201.4	194.1	111
<i>Specific carbon dioxide emissions, kg CO<sub>2</sub>/gross m<sup>2</sup></i>	45.3	44.8	111
<i>Specific water consumption, l/gross m<sup>2</sup></i>	271.0	249.6	110
<i>Waste recovery rate, %</i>	100	100	
<i>Waste recycling and reuse rate, %</i>	47	46	

#### **RISKS AND UNCERTAINTY FACTORS IN THE NEAR FUTURE**

Sponda estimates that the risks and uncertainty factors for 2018 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.

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 2018.

#### **PROSPECTS FOR 2018**

Sponda estimates that the net operating income will slightly decline in 2018 compared to 2017. The decline is mainly due to large ongoing renovation projects that will temporarily affect rental income. The operating income, before fair valuation changes, is estimated to stay stable and be at the same level as reported in 2017. This estimate is based on two large property development projects being completed during the year. The estimates do not include the impact of possible divestments or acquisitions.

#### **EVENTS AFTER THE PERIOD**

Due to restructuring of Sponda’s financing each owner of a book value of a corporate bond had the right to present a demand for early repayment according to the terms of the bonds. Repayments of bonds amounting to EUR 4.5 million were made. The repayments concerned the EUR 175.0 million bond maturing in May 2020 and the repayments were made in January 2018 according to the terms.

#### **BOARD PROPOSAL FOR DIVIDEND**

The Board of Directors proposes a dividend or equity repayment paid to its only shareholder totaling EUR 320.5 million. The decision on the dividend will be made at the Annual General Meeting on or about the 2 February 2018.

2 February 2018  
Sponda Plc  
Board of Directors

Additional information:

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**SPONDA PLC INTERIM REPORT 1 JANUARY–31 DECEMBER 2017, TABLES**
**Consolidated income statement**

M€	10- 12/2017	10- 12/2016	1-12/2017	1-12/2016
<i>Total revenue</i>				
<i>Rental income and recoverables</i>	66.5	65.6	263.3	258.6
<i>Interest income from finance leasing agreements</i>	0.1	0.1	0.3	0.3
	66.6	65.7	263.7	259.0
<i>Expenses</i>				
<i>Maintenance expenses</i>	-18.4	-18.6	-70.0	-68.0
<i>Net operating income</i>	48.2	47.2	193.7	190.9
<i>Profit/loss on sales of investment properties</i>	0.6	-0.1	4.0	0.8
<i>Valuation gains/losses on fair value assessment</i>	24.4	33.7	4.9	26.7
<i>Amortisation of goodwill</i>	-1.5	-1.0	-5.2	-3.1
<i>Profit/loss on sales of associated companies</i>	-	0.0	-	-0.1
<i>Profit/loss on sales of trading properties</i>	1.5	1.2	9.0	14.6
<i>Sales and marketing expenses</i>	-1.1	-0.6	-2.8	-2.1
<i>Administrative expenses</i>	-4.6	-5.9	-22.7	-20.6
<i>Other operating income</i>	0.2	0.0	0.5	0.5
<i>Other operating expenses</i>	-0.3	-0.7	-7.9	-0.8
<i>Operating profit</i>	67.2	73.9	173.5	206.7
<i>Financial income</i>	2.1	0.3	3.1	3.2
<i>Financial expenses</i>	-40.2	-13.4	-78.3	-54.4
<i>Total amount of financial income and expenses</i>	-38.1	-13.1	-75.2	-51.2
<i>Profit before taxes</i>	29.1	60.8	98.3	155.5
<i>Income taxes for current and previous fiscal years</i>	-0.1	0.1	-1.3	-2.4
<i>Deferred taxes</i>	126.8	-0.7	127.4	-15.6
<i>Income taxes, total</i>	126.6	-0.5	126.2	-17.9
<i>Profit/loss for the period</i>	155.7	60.3	224.5	137.5
<i>Attributable to:</i>				
<i>Equity holders of parent company</i>	155.7	60.3	224.5	137.5
<i>Non-controlling interest</i>	0.0	0.0	0.0	0.0
<i>Earnings per share based on profit attributable to equity holders of the parent company</i>				
<i>Basic and diluted, €</i>	0.46	0.17	0.65	0.41

**Consolidated statement of other comprehensive income**

<b>M€</b>	<b>10-12/2017</b>	<b>10-12/2016</b>	<b>1-12/2017</b>	<b>1-12/2016</b>
<i>Profit/loss for the period</i>	155.7	60.3	224.5	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	0.2	0.0	0.2
<i>Taxes on items that will not be reclassified to profit or loss</i>	0.0	0.0	0.0	0.0
<i>Items that will not be reclassified to profit or loss, total</i>	0.0	0.0	0.0	0.1
<i>Items that may be reclassified subsequently to profit or loss</i>				
<i>Net loss/profit from cash flow hedges</i>	18.7	4.8	28.2	8.3
<i>Translation differences</i>	0.0	1.5	-0.5	2.3
<i>Taxes on items that may be reclassified subsequently to profit or loss</i>	-3.7	-1.6	-5.5	-2.8
<i>Items that may be reclassified subsequently to profit or loss, total</i>	14.9	4.7	22.2	7.8
<i>Other comprehensive income for the period after taxes</i>	15.0	4.9	22.2	8.0
<i>Comprehensive profit/loss for the period</i>	170.7	65.1	246.7	145.5
<i>Attributable to:</i>				
<i>Equity holders of parent company</i>	170.7	65.1	246.7	145.5
<i>Non-controlling interest</i>	0.0	0.0	0.0	0.0

## Consolidated balance sheet

M€	31.12.2017	31.12.2016
<b>ASSETS</b>		
<i>Non-current assets</i>		
<i>Investment properties</i>	3,935.3	3,755.5
<i>Investments in real estate funds</i>	20.7	22.4
<i>Property, plant and equipment</i>	13.3	12.9
<i>Goodwill</i>	3.3	8.5
<i>Other intangible assets</i>	1.4	1.7
<i>Finance lease receivables</i>	2.7	2.7
<i>Other investments</i>	1.9	0.2
<i>Deferred tax assets</i>	46.3	15.4
<i>Non-current assets total</i>	4,025.0	3,819.4
<i>Current assets</i>		
<i>Trading properties</i>	6.6	7.2
<i>Trade and other receivables</i>	26.7	44.2
<i>Cash and cash equivalents</i>	729.1	12.9
<i>Current assets total</i>	762.3	64.2
<i>Non-current assets held for sale</i>	-	32.8
<i>Total assets</i>	4,787.4	3,916.5
<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
<i>Share premium reserve</i>	159.4	159.4
<i>Invested non-restricted equity reserve</i>	572.7	652.7
<i>Fair value reserve</i>	-	-22.6
<i>Revaluation reserve</i>	0.7	0.7
<i>Other equity fund</i>	0.0	94.0
<i>Translation differences</i>	0.5	0.9
<i>Retained earnings</i>	681.6	851.8
	1,526.0	1,848.1
<i>Non-controlling interest</i>	1.8	1.8
<i>Shareholders' equity, total</i>	1,527.8	1,849.9
<i>Liabilities</i>		
<i>Non-current liabilities</i>		
<i>Deferred tax liabilities</i>	0.9	93.1
<i>Provisions</i>	0.6	2.4
<i>Interest-bearing loans and borrowings</i>	2,717.8	1,313.9
<i>Other liabilities</i>	0.5	28.2
<i>Non-current liabilities total</i>	2,719.8	1,437.7
<i>Current liabilities</i>		
<i>Current interest-bearing liabilities</i>	468.6	548.6
<i>Trade and other payables</i>	71.1	79.7
<i>Tax liabilities based on the taxable income for the period</i>	-	0.4
<i>Current liabilities total</i>	539.7	628.6
<i>Liabilities associated with non-current assets held for sale</i>	-	0.3
<i>Total borrowings</i>	3,259.5	2,066.6
<i>Total equity and liabilities</i>	4,787.4	3,916.5

## Consolidated Cash Flow Statement

M€	1-12/2017	1-12/2016
<i>Cash flow from operating activities</i>		
<i>Profit for the period</i>	224.5	137.5
<i>Adjustments</i>	-48.5	40.5
<i>Change in net working capital</i>	-8.7	7.9
<i>Interest received</i>	0.4	0.5
<i>Interest paid</i>	-47.8	-45.1
<i>Other financial items</i>	-58.1	-7.8
<i>Dividends received</i>	0.0	0.0
<i>Taxes received/paid</i>	0.1	-11.0
<b><i>Net cash provided by operating activities</i></b>	<b>61.8</b>	<b>122.5</b>
<i>Cash flow from investing activities</i>		
<i>Acquisition of investment properties</i>	-150.5	-684.6
<i>Capital expenditure on real estate funds</i>	0.0	-3.0
<i>Acquisition of tangible and intangible assets</i>	-0.4	-0.1
<i>Proceeds from disposal of investment properties</i>	18.8	36.4
<i>Proceeds from disposal of real estate funds</i>	-	-
<i>Proceeds from disposal of shares in associated companies</i>	-	0.2
<i>Proceeds from disposal of tangible and intangible assets</i>	-	0.4
<i>Capital repayments from associated companies</i>	-	-
<i>Repayments of loan receivables</i>	-	-
<b><i>Net cash flow from investment activities</i></b>	<b>-132.1</b>	<b>-650.8</b>
<i>Cash flow from financing activities</i>		
<i>Proceeds from share issue</i>	0.0	218.5
<i>Non-current loans, raised</i>	2,578.8	595.7
<i>Repayment of hybrid bond</i>	-95.0	-
<i>Non-current loans, repayments</i>	-1,293.0	-444.1
<i>Current loans, raised/repayments</i>	70.8	49.5
<i>Interest paid on hybrid bond</i>	-6.4	-6.4
<i>Dividends paid</i>	-467.9	-94.5
<b><i>Net cash flow from financing activities</i></b>	<b>787.2</b>	<b>318.7</b>
<b><i>Change in cash and cash equivalents</i></b>	<b>716.9</b>	<b>-209.5</b>
<i>Cash and cash equivalents, beginning of period</i>	12.9	220.0
<i>Impact of changes in exchange rates</i>	-0.8	2.4
<b><i>Cash and cash equivalents, end of period</i></b>	<b>729.1</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>								224.5	224.5	0.0	224.5
<i>Other comprehensive income (net of tax)</i>											
<i>Items arising from the remeasurement of defined benefit liabilities (or assets)</i>								0.0	0.0	0.0	0.0
<i>Cash flow hedges</i>				22.6					22.6	0.0	22.6
<i>Translation differences</i>							-0.4		-0.4	0.0	-0.4
<i>Comprehensive income, total</i>				22.6			-0.4	224.5	246.7	0.0	246.7
<i>Transactions with shareholders</i>											
<i>Share issue</i>											
<i>Dividend payment and other equity repayments</i>			-80.0					-387.9	-467.9	0.0	-467.9
<i>Transactions with shareholders, total</i>			-80.0					-387.9	-467.9	0.0	-467.9
<i>Repurchase of hybrid bond</i>						-94.0		-1.0	-95.0	0.0	-95.0
<i>Interest paid on hybrid bond</i>								-5.1	-5.1	0.0	-5.1
<i>Change</i>								-0.7	-0.7	0.1	-0.7
<i>Equity 31 December 2017</i>	111.0	159.4	572.7	0.0	0.7	0.0	0.5	681.6	1,526.0	1.8	1,527.8

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>								137.5	137.5	0.0	137.5
<i>Other comprehensive income (net of tax)</i>											
<i>Items arising from the remeasurement of defined benefit liabilities (or assets)</i>								0.1	0.1	0.0	0.1
<i>Cash flow hedges</i>				6.7					6.7	0.0	6.7
<i>Translation differences</i>							1.1		1.1	0.0	1.1
<i>Comprehensive income, total</i>				6.7			1.1	137.7	145.5	0.0	145.5
<i>Transactions with shareholders</i>											
<i>Share issue</i>			219.0						219.0		219.0
<i>Dividend payment and other equity repayments</i>								-94.5	-94.5	0.0	-94.5
<i>Transactions with shareholders, total</i>			219.0					-94.5	124.4	0.0	124.4
<i>Repurchase of hybrid bond</i>											
<i>Interest paid on hybrid bond</i>								-5.1	-5.1	0.0	-5.1
<i>Change</i>								0.1	0.1	0.0	0.1
<i>Equity 31 December 2016</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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### ***Accounting principles***

This financial statements 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 2017.

The figures in the interim report have been audited.

### ***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

1-12/2017 M€	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings	Other	Group total
Total revenue	170.1	76.2	1.0	16.3	0.0	263.7
Maintenance expenses and direct fund expenses	-44.5	-16.6	-2.6	-6.3	0.0	-70.0
Net operating income	125.6	59.6	-1.6	10.1	0.0	193.7
Profit on sales of investment properties	1.3	-	-	2.9	-	4.2
Loss on sales of investment properties	-	-	0.3	-0.5	-	-0.3
Profit/loss on disposal of associated companies	-	-	-	-	-	-
Profit/loss on trading properties	-	-	9.0	-	-	9.0
Valuation gains/losses on fair value assessment	-6.4	19.1	13.9	-21.7	-	4.9
Amortisation of goodwill	-	-	-5.2	-	-	-5.2
Administration and marketing	-10.8	-6.7	-5.2	-2.6	-0.2	-25.5
Other operating income and expenses	-0.2	-0.2	0.0	0.0	-7.0	-7.4
Operating profit	109.5	71.8	11.2	-11.8	-7.2	173.5
Financial income and expenses					-75.2	-75.2
Profit before taxes					-82.4	98.3
Income taxes					126.2	126.2
Profit for the period					43.8	224.5
Investments	43.4	7.0	99.0	0.7	1.1	151.2
Segment assets	2,231.7	1,221.5	309.1	199.8	825.3	4 787.4
- of which classified as held for sale	-	-	-	-	-	-
Economic Occupancy Rate	88.8	95.0	-	75.0	-	89.6
1-12/2016 M€	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings	Other	Group total
Total revenue	167.2	70.3	1.3	20.0	0.2	259.0
Maintenance expenses and direct fund expenses	-43.1	-15.5	-2.2	-7.3	0.0	-68.0
Net operating income	124.1	54.8	-0.9	12.7	0.1	190.9
Profit on sales of investment properties	0.7	-	-	1.2	-	2.0
Loss on sales of investment properties	-0.1	-	-0.4	-0.7	0.0	-1.1
Profit/loss on disposal of associated companies	-	-	-	-0.1	-	-0.1
Profit/loss on trading properties	-	-	14.6	-	0.0	14.6
Valuation gains/losses on fair value assessment	25.2	21.3	4.9	-24.8	-	26.7
Amortisation of goodwill	-	-	-3.1	-	0.0	-3.1
Administration and marketing	-11.5	-4.0	-4.2	-2.6	-0.5	-22.8
Other operating income and expenses	-0.1	-0.2	-0.4	0.1	0.2	-0.4
Operating profit	138.4	72.0	10.5	-14.1	-0.1	206.7
Financial income and expenses					-51.2	-51.2
Profit before taxes					-51.3	155.5
Income taxes					-17.9	-17.9
Profit for the period					-69.3	137.5
Investments	187.1	433.3	60.7	4.3	0.3	685.6
Segment assets	2,203.8	1,195.4	196.0	226.7	94.5	3,916.5
- of which investment properties held for sale	10.6	-	3.3	19.0	-	32.8
Economic Occupancy Rate	89.2	93.5	-	79.9	-	89.6



## Key figures

	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Earnings per share, €	0.46	0.17	0.65	0.41
Equity ratio, %			32.0	47.4
Equity per share, €			4.49	5.16

## Quarterly key figures

	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016
Total revenue, M€	66.6	64.1	66.8	66.1	65.7
Net operating income, M€	48.2	48.9	50.2	46.3	47.2
Valuation gains/losses on fair value assessment, M€	24.4	1.3	-21.7	1.0	33.7
Operating profit, M€	67.2	34.5	27.5	44.3	73.9
Financial income and expenses, M€	-38.1	-12.8	-12.2	-12.2	-13.1
Profit/loss for the period, M€	155.7	19.2	17.3	32.3	60.3
Investment properties, M€	3,935.3	3,857.3	3,807.5	3,805.5	3,755.5
Shareholders' equity, M€	1,527.8	1,857.3	1,836.7	1,857.7	1,849.9
Interest-bearing liabilities, M€	3,186.4	1,943.6	1,939.1	1,875.1	1,862.5
Earnings per share, €	0.46	0.05	0.05	0.09	0.17
Economic Occupancy Rate, %	89.6	88.5	89.1	89.1	89.6

## Investment Properties

At the end of 2017, Sponda had a total of 164 leasable properties, with an aggregate leasable area of approximately 1.2 million m<sup>2</sup>. Of this total, approximately 60% is office premises, 22% shopping centres and 17% 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 2017, the fair value of Sponda's investment properties was assessed externally both in Finland (Catella Property Oy) and in Russia (CB Richard Ellis). The fair value of the investment properties totalled EUR 3.9 billion at the end of 2017.

M€	31.12.2017	31.12.2016
Fair value of investment properties, 1 Jan.	3,755.5	3,101.7
Non-current assets held for sale, 1 Jan.	32.8	10.2
Acquisition of investment properties	12.5	590.5
Other capital expenditure on investment properties	137.6	91.9
Disposals of investment properties	-15.0	-35.9
Transfers from trading properties	2.0	-
Capitalised borrowing costs, increase in period	3.3	1.2
Valuation gains/losses on fair value assessment	6.7	28.7
Investment properties reclassified as held for sale	-	-32.8
Fair value of investment properties, end of period	3,935.3	3,755.5
Investment properties held for sale	-	32.8

## The Group's most significant investment commitments

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 305.8 million at the end of 2017. Of this total, EUR 47.9 million was in undeveloped land sites and the remaining EUR 257.9 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 99.7 million in 2017. The investments were primarily directed to the construction of the Ratina shopping centre and the office and retail complex in Tikkurila. The total of committed investments are EUR 271 million. Of this, approximately EUR 209 million was invested by 31 December 2017.

#### Trading properties

M€	31.12.2017	31.12.2016
Carrying amount, beginning of period	7.2	7.7
Disposals and other changes	-0.6	-0.5
Carrying amount, end of period	6.6	7.2

#### Collateral and contingent liabilities

Collateral and commitments given by the Group, M€	31.12.2017	31.12.2016
Loans from financial institutions, covered by collateral	2,578.9	178.0
Mortgages on properties	2,248.4	288.1
Fair value of properties that are not mortgaged, based on pledged shares	182.0	46.4
Fair value of properties that are mortgaged as well as have pledged shares	3,369.2	12.9
Cash in pledged accounts	678.6	0.0
Total collateral		

For clarity's sake, in 2017 the fair value of all mortgaged properties was EUR 3,551.2 million (including pledges and shares). Cash included the total collateral in 2017 was EUR 4,229.8 million.

Lease and other liabilities, M€	31.12.2017	31.12.2016
Lease liabilities	49.5	49.4
Mortgages	11.3	14.4
Guarantees and deposit guarantees	3.4	4.4
Investment commitments to real estate funds	3.5	3.6

Interest rate derivatives, M€	31.12.2017	31.12.2016
Swap contracts, notional value	-	655.0
Swap contract, fair value	-	-28.2
Eurobasis swaps, notional value	-	150.0
Eurobasis swaps, fair value	-	-0.1
Cap options purchased, notional value	1,630.6	362.2
Cap options purchased, fair value	0.1	0.2

Currency derivatives, M€	31.12.2017	31.12.2016
Currency options, bought, notional value	2.8	5.0
Currency options, bought, fair value	0.0	0.0
Currency options, put, notional value	-	-
Currency options, put, fair value	-	-

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:

Management employee benefits, M€	31.12.2017	31.12.2016
Salaries and other short-term employee benefits	2.0	1.9
Share-based payments	3.0	0.9
Total	5.0	2.9

**Related party transactions and related party receivables and liabilities 31.12.2017**

<b>M€</b>	<b>Liabilities</b>	<b>Receivables</b>
<i>Polar Bidco S.à r.l.</i>	371.2	-
<i>Total</i>	371.2	-

**Itemisations required for alternative key figures**

<b>M€</b>	<b>1-12/2017</b>	<b>1-12/2016</b>
<i>Advances received</i>	4.1	5.7
<i>Rent deposits received</i>	5.6	5.2

## 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*

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

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.

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

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.