



# H1

## HALF YEAR FINANCIAL REPORT 1.1.–30.6.2019

*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 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 HALF YEAR FINANCIAL REPORT 1 JANUARY– 30 JUNE 2019:

### 1 JANUARY– 30 JUNE 2019 IN BRIEF (COMPARED WITH 1 JANUARY–30 JUNE 2018)

- Total revenue decreased to EUR 123.4 (128.9) million.
- Net operating income decreased to EUR 76.8 (82.6) million.
- Operating profit decreased to EUR 67.3 (82.9) million. This includes a fair value change of EUR -17.5 (19.0) million, of which EUR -1.1 million is related to the depreciation of IFRS 16 right-of-use assets. More information on the impacts of the adoption of IFRS 16 leases standard is provided in the Accounting principles section of this half year financial report.
- Earnings per share were EUR 0.11 (0.05). Increase in earnings per share was affected by the decrease of deferred tax liabilities which had EUR 18.8 million positive effect on the result.
- The fair value of the investment properties amounted to EUR 3,634.9 (4,036.7) million, which includes an IFRS 16 effect of EUR 38.4 million.

### KEY FIGURES

	1-6/2019	1-6/2018	1-12/2018
Total revenue, M€	123.4	128.9	259.2
Net operating income, M€	76.8	82.6	182.8
Operating profit, M€	67.3	82.9	155.1
Earnings per share, €	0.11	0.05	0.10
Equity per share, €	3.46	3.08	3.67
Equity ratio, %	30.5	25.1	29.8

### BUSINESS CONDITIONS

Economic growth in Finland in 2019 will be more moderate than in recent years. According to the Ministry of Finance's forecast (published June 17, 2019), the Finnish GDP will grow by 1.6% in 2019. According to Statistics Finland, the unemployment rate was 6.5% at the end of July 2019.

### GROUP RESULT IN 1 JANUARY– 30 JUNE 2019

Sponda Group's result for 1 January– 30 June was EUR 37.3 (18.0) million and the result before taxes was EUR 19.3 (30.4) million. Operating profit was EUR 67.3 (82.9) million.

Net operating income decreased by approximately 7% and totalled EUR 76.8 (82.6) million. The decline in net operating income was primarily attributable to sold properties as well as properties vacated due to development projects. Administrative and marketing expenses together with other operating income and other operating expenses amounted to EUR -18.4 (-15.8) million. Administrative and marketing expenses accounted for EUR -18.6 (-14.4) million of this total. The increase in administrative and marketing expenses is primarily due to higher expenses related to personnel and external services.

During the period, the Group recognised profit on sales of EUR 26.4 (0.5) million from sales of investment and trading properties. The change in fair value of the investment properties was EUR -17.5 (19.0) million. Majority of the negative change in fair value is attributable to the Group's property portfolio in Finland, and it was particularly due to the development gains recognised during the 2018 financial year on completed property development projects as well as a slight increase in modernisation investments. Furthermore, the adoption of IFRS 16 had an impact of EUR -1.1 million on the change in fair value of the investment properties in the period under review.

Financial income and expenses for the period totalled EUR -48.0 (-52.5) million. The decrease in financial expenses is explained by repayments of interest-bearing loans related to sold properties. Deferred tax liabilities decreased during the period under review, which had a positive effect of approximately EUR 18.8 million on the result. The decrease in deferred tax liabilities was primarily attributable to sold properties.

### PROPERTY ASSETS 1 JANUARY–30 JUNE 2019

On 30 June 2019, Sponda had a total of 161 leasable properties, with an aggregate leasable area of approximately 1.2 million m<sup>2</sup>. Of this total, approximately 57% is office premises, 25% 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 cashflow-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 conditions.

At the end of June 2019, an external consultant (Catella Property Oy) audited the values of Sponda's investment properties in Finland. The properties in Russia were assessed by an external consultant (CB Richard Ellis and Jones Lang LaSalle LCC). The fair value of our investment properties was approximately EUR 3.6 billion at the end of June 2019.

### Valuation gains/losses on fair value assessment

M€	1-6/2019	1-6/2018	1-12/2018
Changes in yield requirements (Finland)	13.6	23.8	31.0
Development gains on property development projects	1.3	24.8	24.8
Modernisation investments	-19.8	-14.2	-42.3
Change in market rents and maintenance costs (Finland)	-11.9	-5.1	-2.7
Change in value (Russia)	0.4	-10.2	-14.6
Investment properties, total	-16.4	19.0	-3.8
Real estate funds	0.0	0.0	-4.6
IFRS 16 related fair value losses on investment property	-1.1	-	-
Group, total	-17.5	19.0	-8.4

### Changes in Sponda's investment property assets 1 January–30 June 2019\*

M€	Total	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings
Operating income	122.7	69.2	45.3	0.4	7.7
Maintenance expenses	-39.5	-22.8	-12.5	-0.7	-3.4
Net operating income	83.2	46.4	32.8	-0.3	4.2
Investment properties on 1 January 2019	3,755.8	2,006.0	1,514.4	72.0	163.5
Investment properties held for sale on 1 January 2019	241.3	220.4	21.0	-	-
Investments	24.2	17.2	2.1	4.5	0.3
Sales	-347.1	-310.1	-28.8	-6.1	-2.0
Change in fair value	-16.4	-8.5	-8.6	1.2	-0.6
Reclassifications to non-current assets held for sale	-61.3	-61.3	-	-	-
IFRS 16 related fair value losses on investment property**	-1.1	-	-	-	-
Right-of-use assets classified as investment properties (IFRS 16)**	39.4	-	-	-	-
Investment properties on 30 June 2019	3,634.9	1,863.7	1,500.0	71.5	161.2
Change in fair value, %	-0.3	-0.4	-0.6	1.7	-0.3

\*This table includes only investment properties. Trading and other properties as well as segment specific administrative costs are excluded.

\*\*Not allocated to segments

### RENTAL OPERATIONS

At the end of June 2019, Sponda had 1,707 tenants and a total of 2,965 lease agreements.

Most of Sponda's lease agreements in Finland are subject to annual or biannual indexation.

The weighted average of unexpired lease terms was 3.0 (3.6) years 3.1 (3.9) years applicable to office properties and 3.3 (3.9) years to shopping centres.

The lease agreements expire as follows:

% of rental income	Total property portfolio		
	30.6.2019	30.6.2018	31.12.2018
Within 1 year	20.2	18.6	18.1
Within 2 years	15.3	12.5	12.0
Within 3 years	17.3	12.9	13.7
Within 4 years	9.7	13.2	12.5
Within 5 years	7.4	7.5	7.6
Within 6 years	6.4	4.4	5.1
After more than 6 years	11.0	19.4	18.5
Valid indefinitely	12.7	11.6	12.5

## 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 not property related expenses which are not allocated to any of the Group's businesses. More details of the Other segment are presented in the table *Income statement by segment*.

### Office Properties

The Office Properties segment covers leasing, purchase and sales of office premises in Finland.

Total revenue in the first half of 2019 amounted to EUR 69.9 (80.2) million and net operating income was EUR 46.6 (56.3) million.

	1-6/2019	1-6/2018	1-12/2018
Total revenue, M€	69.9	80.2	157.0
Net operating income, M€*	46.6	56.3	111.1
Operating profit, M€*	54.1	44.8	97.8
Fair value of properties, M€	1,863.7	2,276.2	2,006.0
- excludes properties classified as held for sale, M€	61.3	-	220.4
Change in fair value from beginning of year, M€	-8.5	-5.0	-15.9
Leasable area, m <sup>2</sup>	736,500	800,000	800,000

\*Based on segment reporting and therefore including property taxes for six months only

### Shopping Centres

The Shopping Centres segment covers leasing, acquisition and sale of shopping centres and retail premises in Finland.

Total revenue in the first half of 2019 amounted to EUR 45.3 (40.8) million and net operating income was EUR 32.8 (30.9) million.

	1-6/2019	1-6/2018	1-12/2018
Total revenue, M€	45.3	40.8	86.6
Net operating income, M€*	32.8	30.9	65.8
Operating profit, M€*	19.7	35.8	68.5
Fair value of properties, M€	1,500.0	1,528.4	1,514.4
- excludes properties classified as held for sale, M€	-	-	21.0
Change in fair value from beginning of year, M€	-8.6	9.8	12.6
Leasable area, m <sup>2</sup>	249,500	255,000	255,500

\*Based on segment reporting and therefore including property taxes for six months only

### Property Development

The Property Development segment covers 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 71.5 million at the end of June 2019. Of this total, EUR 46.8 million was in undeveloped land sites and the remaining EUR 24.7 million was tied up in ongoing property development projects. The value of non-utilised 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 undeveloped land.

The Property Development unit invested a total of EUR 6.1 million during the first half of the year. The investments were primarily for the construction of the Ratina office building. The total investment of the Ratina office building during the period under review was approximately EUR 5.9 million.

### 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 161.2 million at the end of June. Of this total, logistics properties accounted for EUR 77.6 million and properties in Russia for EUR 83.7 million.

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. As at 30 June 2019 the fair value of the investment amounted to approximately EUR 16.2 million.

## FINANCING AND BALANCE SHEET KEY FIGURES

Sponda Group's interest-bearing debt decreased significantly year-on-year due to the repayment of loans. At the end of June 2019, interest-bearing debt amounted to EUR 2,488.6 (2,892.7) million, including unamortised loan arrangement fees. The

Group's cash funds totalled EUR 105.5 (69.1) million from which unrestricted cash totalled EUR 32.7 million. The Group's net debt was EUR 2,383.1 (2,823.6) million, comprising bonds and loans from financial institutions, including withdrawals on credit limits for investment purposes amounting to EUR 47.0 million. As of the balance sheet date the total mortgaged loans amounted to EUR 2,286.0 million approximately 59% of the total assets.

Sponda's equity ratio at the end of June stood at 30.5% (25.1%). Loan to Value (LTV), based on net debt, was 63.8% (69.3%). The weighted average maturity of Sponda's loans was 1.4 (1.5) years. The average interest rate was 3.8% (3.7%) including interest derivatives and unamortised arrangement fees. Fixed-rate and interest-hedged loans accounted for 84.6% (86.6%) of the loan portfolio and 53.7% (60.1%) of the total assets.

Sponda's net financing costs for the period totalled EUR -48.0 (-52.5) million. No interest expenses were capitalised in 2019. Net cash flow from operations in the period under review totalled EUR 27.7 (34.1) million. Net cash flow from investing activities was EUR 343.7 (-70.0) million and net cash flow from financing activities was EUR -373.2 (-623.7) million.

#### **Balance sheet key figures**

	<b>30.6.2019</b>	<b>30.6.2018</b>	<b>31.12.2018</b>
<i>Equity ratio, %</i>	30.5	25.1	29.8
<i>Loan to Value (LTV)*, %</i>	63.8	69.3	64.4
<i>Interest-bearing debt, EUR million</i>	2,489	2,893	2,706
<i>Cash reserves, EUR million</i>	106	69	107
<i>Credit limits for investment projects, EUR million</i>	47	27	47

\*) Based on net debt

#### **SPONDA GROUP**

Sponda Plc is part of the Luxembourg-based Polar TopCo S.à r.l. group.

Sponda Group comprises the parent company Sponda Plc and its wholly or partly-owned subsidiaries.

#### **SPONDA'S MANAGEMENT**

Kai Aejmelaesus has been Sponda's President and Chief Executive Officer since April 2018.

Sponda made changes to the composition of its Executive Board in early 2019. In addition to the President and CEO, the Executive Board consists of Martti Savenius (Chief Operating Officer), Anna Blasik (Chief Financial Officer), Timo Pantsari (Chief Information Officer) and Ari Käkälä (Chief Legal Officer).

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

Sponda estimates that the risks and uncertainty factors for 2019 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 the occupancy rate and net operating income.

In Russia, the risks are mainly related to the development in the Russian economy.

#### **PROSPECTS FOR 2019**

Sponda has decided not to give prospects for the financial year 2019.

#### **POST BALANCE SHEET EVENTS**

In July, Sponda sold properties with a total balance sheet value of EUR 61.5 million generating gains of EUR 4.4 million.

In August, Sponda EUR 189 million of third-party financing was raised.

In August, Sponda Oyj distributed EUR 155 million to its shareholder.

18 September 2019  
Sponda Plc  
Board of Directors

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

**IFRS key figures**

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

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

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

$$\text{Equity ratio, \%} = 100 \times \frac{\text{Equity}}{\text{Total assets - advances and rent deposits received}}$$

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.

**Specifications required for alternative key figures**

M€	30.6.2019	30.6.2018	31.12.2018
Advances received	3.0	4.2	2.5
Rent deposits received	6.6	6.3	6.6
Interest-bearing debt associated with non-current assets held for sale	41.7	-	189.7



SPONDA PLC HALF YEAR FINANCIAL REPORT 1 JANUARY–30 JUNE 2019, TABLES

**Consolidated income statement**

<b>M€</b>	<b>1-6/2019</b>	<b>1-6/2018</b>	<b>1-12/2018</b>
<i>Total revenue</i>			
<i>Rental income and recoverables</i>	123.3	128.7	258.9
<i>Interest income from finance leasing agreements</i>	0.2	0.2	0.3
	123.4	128.9	259.2
<i>Expenses</i>			
<i>Maintenance expenses</i>	-46.7	-46.3	-76.5
<b>Net operating income</b>	<b>76.8</b>	<b>82.6</b>	<b>182.8</b>
<i>Profit/loss on sales of investment properties</i>	23.7	0.5	15.9
<i>Valuation gains/losses on fair value assessment</i>	-17.5	19.0	-8.4
<i>Amortisation of goodwill</i>	-	-3.3	-3.3
<i>Profit/loss on sales of trading properties</i>	2.7	-	0.5
<i>Sales and marketing expenses</i>	-1.7	-1.9	-4.0
<i>Administrative expenses</i>	-16.9	-12.5	-25.5
<i>Other operating income</i>	2.9	0.3	0.6
<i>Other operating expenses</i>	-2.8	-1.7	-3.5
<b>Operating profit</b>	<b>67.3</b>	<b>82.9</b>	<b>155.1</b>
<i>Financial income</i>	0.4	0.5	1.2
<i>Financial expenses</i>	-48.4	-53.0	-109.2
<i>Total amount of financial income and expenses</i>	-48.0	-52.5	-107.9
<b>Profit before taxes</b>	<b>19.3</b>	<b>30.4</b>	<b>47.1</b>
<i>Income taxes for current and previous fiscal years</i>	-0.7	-0.8	-0.6
<i>Deferred taxes</i>	18.8	-11.7	-12.7
<i>Income taxes, total</i>	18.0	-12.4	-13.3
<b>Profit/loss for the period</b>	<b>37.3</b>	<b>18.0</b>	<b>33.8</b>
<i>Attributable to:</i>			
<i>Equity holders of parent company</i>	37.9	18.0	33.8
<i>Non-controlling interest</i>	-0.5	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>	0.11	0.05	0.10

**Consolidated statement of other comprehensive income**

<b>M€</b>	<b>1-6/2019</b>	<b>1-6/2018</b>	<b>1-12/2018</b>
<b>Profit/loss for the period</b>	<b>37.3</b>	<b>18.0</b>	<b>33.8</b>
<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	0.1
<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>	0.0	0.0	0.1
<i>Items that may be reclassified subsequently to profit or loss</i>			
<i>Translation differences</i>	-0.1	-0.1	-0.2
<i>Taxes on items that may be reclassified subsequently to profit or loss</i>	-0.1	0.1	-
<i>Items that may be reclassified subsequently to profit or loss, total</i>	-0.2	0.0	-0.2
<i>Other comprehensive income for the period after taxes</i>	-0.2	0.0	-0.2
<b>Comprehensive profit/loss for the period</b>	<b>37.2</b>	<b>18.0</b>	<b>33.7</b>
<i>Attributable to:</i>			
<i>Equity holders of parent company</i>	37.7	18.0	33.7
<i>Non-controlling interest</i>	-0.5	0.0	0.0

## Consolidated balance sheet

M€	30.6.2019	30.6.2018	31.12.2018
<b>ASSETS</b>			
<i>Non-current assets</i>			
<i>Investment properties</i>	3,634.9	4,036.7	3,755.8
<i>Investments in real estate funds</i>	16.2	20.7	16.2
<i>Property, plant and equipment</i>	15.3	13.1	13.9
<i>Other intangible assets</i>	1.1	1.4	1.3
<i>Finance lease receivables</i>	2.7	2.7	2.7
<i>Other investments</i>	0.1	0.1	0.1
<i>Deferred tax assets</i>	22.4	13.7	22.3
<b>Non-current assets total</b>	<b>3,692.7</b>	<b>4,088.6</b>	<b>3,812.5</b>
<i>Current assets</i>			
<i>Trading properties</i>	6.5	6.6	6.6
<i>Trade and other receivables</i>	8.0	16.4	28.8
<i>Cash and cash equivalents</i>	105.5	69.1	106.7
<b>Current assets total</b>	<b>120.0</b>	<b>92.1</b>	<b>142.1</b>
<i>Non-current assets held for sale</i>	61.5	-	241.4
<b>Total assets</b>	<b>3,874.3</b>	<b>4,180.6</b>	<b>4,195.9</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>	737.7	572.7	756.7
<i>Revaluation reserve</i>	0.7	0.7	0.7
<i>Translation differences</i>	0.1	0.5	0.3
<i>Retained earnings</i>	167.2	201.4	217.3
<b>Equity attributable to equity holders of the parent company</b>	<b>1,176.2</b>	<b>1,045.8</b>	<b>1,245.5</b>
<i>Non-controlling interest</i>	1.3	1.8	1.9
<b>Shareholders' equity, total</b>	<b>1,177.5</b>	<b>1,047.6</b>	<b>1,247.4</b>
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
<i>Deferred tax liabilities</i>	148.4	157.7	167.1
<i>Interest-bearing loans and borrowings</i>	2,275.3	2,742.7	2,516.2
<i>Other liabilities</i>	0.4	0.5	0.4
<b>Non-current liabilities total</b>	<b>2,424.1</b>	<b>2,900.8</b>	<b>2,683.8</b>
<i>Current liabilities</i>			
<i>Current interest-bearing liabilities</i>	171.6	150.0	0.0
<i>Trade and other payables</i>	58.4	81.9	73.2
<i>Tax liabilities based on the taxable income for the period</i>	0.5	0.4	0.0
<b>Current liabilities total</b>	<b>230.6</b>	<b>232.2</b>	<b>73.3</b>
<i>Liabilities associated with non-current assets held for sale</i>	42.2	-	191.5
<b>Total borrowings</b>	<b>2,696.8</b>	<b>3,133.0</b>	<b>2,948.6</b>
<b>Total equity and liabilities</b>	<b>3,874.3</b>	<b>4,180.6</b>	<b>4,195.9</b>

### Consolidated statement of cash flows

M€	1-6/2019	1-6/2018	1-12/2018
<i>Cash flow from operating activities</i>			
<i>Profit for the period</i>	37.3	18.0	33.8
<i>Adjustments</i>	19.7	46.1	114.8
<i>Change in net working capital</i>	11.2	12.6	8.4
<i>Interest received</i>	0.2	0.2	0.4
<i>Interest paid</i>	-40.5	-40.6	-87.7
<i>Other financial items</i>	0.0	-1.7	-1.7
<i>Dividends received</i>	0.0	0.0	0.0
<i>Taxes received/paid</i>	-0.1	-0.5	-0.6
<b>Net cash flow from operating activities</b>	<b>27.7</b>	<b>34.1</b>	<b>67.3</b>
<i>Cash flow from investing activities</i>			
<i>Investments to investment properties</i>	-26.9	-70.1	-126.3
<i>Capital expenditure on real estate funds</i>	-	0.0	-0.1
<i>Investments to tangible and intangible assets</i>	-0.4	-0.4	-0.6
<i>Proceeds from disposal of investment properties</i>	368.2	0.5	75.2
<i>Proceeds from disposal of tangible and intangible assets</i>	2.8	-	-
<b>Net cash flow from investing activities</b>	<b>343.7</b>	<b>-70.0</b>	<b>-51.7</b>
<i>Cash flow from financing activities</i>			
<i>Proceeds from share issue</i>	0.0	0.0	184.0
<i>Non-current loans, raised</i>	0.2	20.1	47.0
<i>Non-current loans, repayments</i>	-265.8	-4.5	-228.9
<i>Current loans, raised/repayments</i>	-	-318.8	-318.8
<i>Dividends paid</i>	-107.0	-320.5	-320.5
<i>Change in lease liabilities (IFRS 16)</i>	-0.6	-	-
<b>Net cash flow from financing activities</b>	<b>-373.2</b>	<b>-623.7</b>	<b>-637.2</b>
<i>Change in cash and cash equivalents</i>	-1.8	-659.6	-621.6
<i>Cash and cash equivalents, beginning of period</i>	106.7	729.1	729.1
<i>Impact of changes in exchange rates</i>	0.6	-0.3	-0.7
<b>Cash and cash equivalents, end of period</b>	<b>105.5</b>	<b>69.1</b>	<b>106.7</b>

**Consolidated statement of changes in equity**

M€	Share capital	Share premium reserve	Invested non-restricted equity reserve	Revaluation reserve	Other equity reserve	Translation difference	Retained earnings	Total	Non-controlling interest	Total equity
<i>Equity 1 January 2019</i>	111.0	159.4	756.7	0.7	0.0	0.3	217.3	1,245.5	1.9	1,247.4
<i>Comprehensive income</i>										
<i>Profit for the period</i>							37.9	37.9	-0.5	37.3
<i>Other comprehensive income (net of tax)</i>										
<i>Translation differences</i>						-0.2	-	-0.2	-	-0.2
<i>Comprehensive income, total</i>						-0.2	37.9	37.7	-0.5	37.2
<i>Transactions with shareholders</i>										
<i>Dividend distribution and other capital repayments</i>			-19.0				-88.0	-107.0	-	-107.0
<i>Transactions with shareholders, total</i>			-19.0				-88.0	-107.0	-	-107.0
<i>Change</i>							-	-	-	-
<i>Equity 30 June 2019</i>	111.0	159.4	737.7	0.7	0.0	0.1	167.2	1,176.2	1.3	1,177.5

M€										
	Share capital	Share premium reserve	Invested non-restricted equity reserve	Revaluation reserve	Other equity reserve	Translation difference	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 January 2018	111.0	159.4	572.7	0.7	-	0.5	503.9	1,348.3	1.8	1,350.1
<i>Comprehensive income</i>										
<i>Profit for the period</i>							18.0	18.0	0.0	18.0
<i>Other comprehensive income (net of tax)</i>										
<i>Translation differences</i>						0.0	-	0.0	-	0.0
<i>Comprehensive income, total</i>						0.0	18.0	18.0	0.0	18.0
<i>Transactions with shareholders</i>										
<i>Dividend distribution and other capital repayments</i>							-320.5	-320.5	-	-320.5
<i>Transactions with shareholders, total</i>							-320.5	-320.5	-	-320.5
<i>Change</i>							0.0	0.0	0.0	0.0
Equity 30 June 2018	111.0	159.4	572.7	0.7	-	0.5	201.4	1,045.8	1.8	1,047.6

M€										
	Share capital	Share premium reserve	Invested non-restricted equity reserve	Revaluation reserve	Other equity reserve	Translation difference	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 January 2018	111.0	159.4	572.7	0.7	0.0	0.5	503.9	1,348.3	1.8	1,350.1
<i>Comprehensive income</i>										
<i>Profit for the period</i>							33.8	33.8	0.0	33.8
<i>Other comprehensive income (net of tax)</i>							0.1	0.1	-	0.1
<i>Translation differences</i>						-0.2	-	-0.2	-	-0.2
<i>Comprehensive income, total</i>						-0.2	33.9	33.7	0.0	33.7
<i>Transactions with shareholders</i>										
<i>Increase in equity (invested non-restricted equity reserve)</i>			184.0					184.0	-	184.0
<i>Dividend distribution and other capital repayments</i>							-320.5	-320.5	-	-320.5
<i>Transactions with shareholders, total</i>			184.0				-320.5	-136.5	-	-136.5
<i>Change</i>							0.0	0.0	0.0	0.0
Equity 31 December 2018	111.0	159.4	756.7	0.7	0.0	0.3	217.3	1,245.5	1.9	1,247.4

## NOTES TO THE HALF YEAR FINANCIAL REPORT

### Accounting principles

This financial statements have 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, due to which 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 2018.

The figures in the half year financial report have not been audited.

### Changes in 2019 accounting principles:

Starting from the beginning of the financial year 2019, IFRS 16 Leases has replaced the IAS 17 standard and related interpretations. Under the new standard, lessees are required to recognise in the balance sheet a lease liability reflecting future lease payments and a right-of-use asset for nearly all leases. There are two exemptions to the recognition requirement, concerning short-term leases of no more than 12 months and leases where the value of the underlying asset is at most approximately USD 5,000.

The new standard has had no impact on the accounting treatment of leases in which Sponda is the lessor. The impacts of the new standard on Sponda as a lessee mainly arise from leased plots of land as well as leases for cars. At the time of the standard's adoption, on 1 January 2019, the Group recognised in its balance sheet a lease liability reflecting lease payments and a right-of-use asset. An agreement, or a part of an agreement, is classified as a lease, when the underlying asset can be identified, Sponda has the right to obtain substantially all the economic benefits from the use of the asset and has the right to direct how and for what purpose the asset is used throughout the period of use. If the agreement or part of the agreement is classified as a lease, the lease liability and right-of-use asset are recognised at the commencement date of an agreement. The commencement date is the date when the underlying asset is available for use by the lessee.

Sponda has recognized right-of-use assets from the leases subject to the scope of the standard as part of the 'Investment properties' and 'Property, plant and equipment' balance sheet items. The right-of-use assets recognized as part of investment properties consist of land leases subject to Sponda's core business. The right-of-use assets recognized as property, plant and equipment, on the other hand, are leased cars.

The Group's lease liability has been measured by discounting the lease liabilities of the leases that fall within the scope of the standard at their present value using the Group's average interest rate as the discount factor. Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Starting from the beginning of the financial year 2019, Sponda has recognised lease expenses comparable to straight-line depreciation in the income statement primarily as part of the change in fair value of investment properties, because the majority of Sponda's leases concern right-of-use assets related to investment properties. Depreciation on right-of-use assets related to property, plant and equipment is presented under Administrative expenses. The expenses determined according to the interest rate factor of the lease liability are presented in financial items.

The nature of the expenses associated with a lease agreement changes when the lease expense is replaced by the depreciation of the right-of-use asset and the interest expense arising from the lease liability, which is reported as part of financial expenses. This also affects the statement of cash flows, with lease payments being allocated to cash flow from financing activities at an amount corresponding to the repayment of the liability and to cash flow from operating activities at an amount corresponding to the financial expense.

In adopting the standard, Sponda applied the modified retrospective approach along with the exemptions provided by the standard. Hence, the comparison figures were not adjusted and the cumulative effect, excluding short-term leases and leases of low value, was recognised in the opening balance sheet of 1 January 2019.

### Impact of IFRS 16 adoption on consolidated balance sheet 31 December 2018

M€	31.12.2018	IFRS 16 impact	1.1.2019
ASSETS			
Non-current assets			
Investment properties	3,755.8	39.4	3,795.2
Investments in real estate funds	16.2	-	16.2

<i>Property, plant and equipment</i>	13.9	0.4	14.3
<i>Other intangible assets</i>	1.3	-	1.3
<i>Finance lease receivables</i>	2.7	-	2.7
<i>Other investments</i>	0.1	-	0.1
<i>Deferred tax assets</i>	22.3	-	22.3
<b>Non-current assets total</b>	<b>3,812.5</b>	<b>39.9</b>	<b>3,852.4</b>
<i>Current assets</i>			
<i>Trading properties</i>	6.6	-	6.6
<i>Trade and other receivables</i>	28.8	-	28.8
<i>Cash and cash equivalents</i>	106.7	-	106.7
<b>Current assets total</b>	<b>142.1</b>	<b>-</b>	<b>142.1</b>
<i>Non-current assets held for sale</i>	241.4	-	241.4
<b>Total assets</b>	<b>4,195.9</b>	<b>39.9</b>	<b>4,235.8</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
<i>Share premium reserve</i>	159.4	-	159.4
<i>Invested non-restricted equity reserve</i>	756.7	-	756.7
<i>Revaluation reserve</i>	0.7	-	0.7
<i>Translation differences</i>	0.3	-	0.3
<i>Retained earnings</i>	217.3	-	217.3
<b>Equity attributable to equity holders of the parent company</b>	<b>1,245.5</b>	<b>-</b>	<b>1,245.5</b>
<i>Non-controlling interest</i>	1.9	-	1.9
<b>Shareholders' equity, total</b>	<b>1,247.4</b>	<b>-</b>	<b>1,247.4</b>
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
<i>Deferred tax liabilities</i>	167.1	-	167.1
<i>Interest-bearing loans and borrowings</i>	2,516.2	38.6	2,554.8
<i>Other liabilities</i>	0.4	-	0.4
<b>Non-current liabilities total</b>	<b>2,683.8</b>	<b>38.6</b>	<b>2,722.4</b>
<i>Current liabilities</i>			
<i>Current interest-bearing liabilities</i>	0.0	1.3	1.3
<i>Trade and other payables</i>	73.2	-	73.2
<b>Current liabilities total</b>	<b>73.3</b>	<b>1.3</b>	<b>74.6</b>
<i>Liabilities associated with non-current assets held for sale</i>	191.5	-	191.5
<b>Total borrowings</b>	<b>2,948.6</b>	<b>39.9</b>	<b>2,988.5</b>
<b>Total equity and liabilities</b>	<b>4,195.9</b>	<b>39.9</b>	<b>4,235.8</b>

During the period under review, leases recognised in the balance sheet had an effect of EUR 1.3 million on lease expenses, EUR -1.1 million on the change in fair value, EUR -0.1 million on depreciation and EUR -0.7 million on financial expenses. The impact on Sponda's net operating income for the period was EUR 1.3 million and the impact on the result before taxes was EUR -0.5 million. The impact on Sponda's cash flow from operating activities during the period was EUR 0.6 million and the impact on cash flow from financing activities was EUR -0.6 million.

The impact that leases recognised in the balance sheet had on Sponda's income statement and balance sheet during the period are presented in more detail in the table below:



**Specification of changes to the income statement and balance sheet during the reporting period related to IFRS 16**

	Right-of-use assets		Total	Lease liabilities
	Investment properties	Property, plant and equipment		
<i>31 December 2018</i>	-	-	-	-
<i>Impact of IFRS 16 adoption</i>	39.4	0.4	39.9	39.9
<i>1 January 2019</i>	39.4	0.4	39.9	39.9
<i>Depreciation and amortisation</i>	-	-0.1	-0.1	-
<i>Change in fair value</i>	-1.1	-	-1.1	-
<i>Interest expenses</i>	-	-	-	0.7
<i>Payments</i>	-	-	-	-1.3
<i>30 June 2019</i>	38.4	0.3	38.7	39.2

## Income statement by segment

1-6/2019 M€	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings	Other	Group total
Total revenue	69.9	45.3	0.5	7.7	0.0	123.4
Maintenance expenses */**	-23.2	-12.5	-1.5	-3.4	-6.0	-46.7
Net operating income	46.6	32.8	-1.0	4.2	-6.0	76.8
Profit on sales of investment properties	23.8	-	0.1	0.2	0.0	24.1
Loss on sales of investment properties	0.0	-0.4	0.0	-	-	-0.4
Profit/loss on sales of trading properties	-	-	2.7	-	0.0	2.7
Valuation gains/losses on fair value assessment**	-8.5	-8.6	1.2	-0.6	-1.1	-17.5
Administration and marketing expenses**	-10.4	-3.6	-4.2	-0.4	-0.1	-18.6
Other operating income and expenses	2.5	-0.5	-1.8	0.0	0.0	0.2
Operating profit	54.1	19.7	-2.9	3.4	-7.1	67.3
Investments	17.2	2.1	6.1	0.3	0.3	26.0
Segment assets**	1,927.8	1,500.0	71.5	177.4	197.5	3,874.3
- of which classified as held for sale	61.5	-	-	-	-	61.5

\*) The share of property taxes allocated to the second half of the year is recognised in the Other segment

\*\*\*) The impact of IFRS 16 adoption on the income statement and balance sheet is recognised in the Other segment

1-6/2018 M€	Office Properties	Shopping Centres	Property Development	Non-Strategic Holdings	Other	Group total
Total revenue	80.2	40.8	0.5	7.3	0.0	128.9
Maintenance expenses *	-23.9	-9.9	-1.5	-3.6	-7.5	-46.3
Net operating income	56.3	30.9	-1.0	3.8	-7.5	82.6
Profit on sales of investment properties	-	-	0.0	0.4	-	0.5
Valuation gains/losses on fair value assessment	-5.0	9.8	25.3	-11.1	-	19.0
Amortisation of goodwill	-	-	-3.3	-	-	-3.3
Administration and marketing	-6.2	-4.6	-2.5	-1.0	-0.1	-14.4
Other operating income and expenses	-0.2	-0.4	-0.8	0.0	0.0	-1.4
Operating profit	44.8	35.8	17.7	-7.9	-7.5	82.9
Investments	11.4	2.1	66.3	0.8	2.3	83.0
Segment assets	2,278.9	1,528.4	63.5	189.3	120.5	4,180.6
- of which classified as held for sale	-	-	-	-	-	-

\*) The share of property taxes allocated to the second half of the year is recognised in the Other segment

## Key figures

	1-6/2019	1-6/2018	1-12/2018
Earnings per share, €	0.11	0.05	0.10
Equity ratio, %	30.5	25.1	29.8
Equity per share, €	3.46	3.08	3.67

## Investment Properties

As at 30 June 2019, Sponda had a total of 161 leasable properties, with an aggregate leasable area of approximately 1.2 million m<sup>2</sup>. Of this total, approximately 57% is office premises, 25% 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 conditions.

At the end of June 2019, an external consultant (Catella Property Oy) audited the values of Sponda's investment properties in Finland. The properties in Russia were assessed by an external consultant (CB Richard Ellis and Jones Land LaSalle LCC). The fair value of our investment properties was approximately EUR 3.6 billion at the end of June 2019.

The fair value of Sponda's investment properties was affected by the adoption of IFRS 16, which increased the value recognised in the consolidated balance sheet by EUR 38.4 million. The adoption of the new standard increased fair value by EUR 39.4 million, while the losses arising from measurement at fair value amounted to EUR -1.1 million.

M€	30.6.2019	30.6.2018	31.12.2018
<i>Fair value of investment properties, 1 Jan.</i>	3,755.8	3,935.3	3,935.3
<i>Non-current assets held for sale, 1 Jan.</i>	241.3	-	0.0
<i>Acquisition of investment properties</i>	0.0	-	12.7
<i>Other capital expenditure on investment properties</i>	24.2	80.6	110.8
<i>Disposals of investment properties</i>	-347.1	-0.2	-59.8
<i>Transfers from trading properties</i>	0.0	-	0.0
<i>Capitalised borrowing costs, increase in period</i>	0.0	1.9	1.9
<i>Valuation gains/losses on fair value assessment (including effect of IFRS 16)</i>	-17.5	19.0	-3.8
<i>Investment properties reclassified as held for sale</i>	-61.3	-	-241.4
<i>Right-of-use assets classified as investment properties (IFRS 16)</i>	39.4	-	-
<i>Fair value of investment properties, end of period</i>	3,634.9	4,036.7	3,755.8
<i>Investment properties held for sale</i>	61.3	-	241.4

## The Group's most significant investment commitments

The Property Development segment covers 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 71.5 million at the end of June 2019. Of this total, EUR 46.8 million was in undeveloped land sites and the remaining EUR 24.7 million was tied up in ongoing property development projects. The value of non-utilised 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 undeveloped land.

The Property Development unit invested a total of EUR 6.1 million during the first half of the year. The investments were primarily for the construction of the Ratina office building. The total investment of the Ratina office building during the period under review was approximately EUR 5.9 million.

## Collateral and contingent liabilities

Liabilities for which mortgages over property and shares have been given, M€	30.6.2019	30.6.2018	31.12.2018
<i>Loans from financial institutions, covered by collateral</i>	2,286.0	2,599.0	2,551.5
<i>Mortgages*</i>	2,286.0	2,599.0	2,551.5
<i>Fair value of properties in such companies where no property mortgages are given (only pledge of shares)</i>	163.2	182.8	186.7
<i>Fair values of properties in such companies where, in addition the pledge of shares, property mortgages are given**</i>	2,913.7	3,187.0	3,147.9
<i>Cash and cash equivalents on pledged bank accounts</i>	83.5	42.0	75.1

\*) Starting from 30 June 2019, the figure for mortgages also includes the effect of secondary mortgages. The comparison figures have been adjusted to reflect this change.

\*\*) Sponda office building Korkeavuorenkatu 45 hasn't been included as this property isn't classified as investment property according to IAS 40 and therefore it has no Fair Value.

For clarification, it is further stated that, at the end of June 2019, the total fair value of pledged properties amounted to EUR 3,076.9 million, containing both property mortgages and share pledges. Including cash and cash equivalents, the pledges amounted to EUR 3,160.4 million.

<b>Lease and other liabilities, M€</b>	<b>30.6.2019</b>	<b>30.6.2018</b>	<b>31.12.2018</b>
<i>Lease liabilities</i>	0.2	48.7	50.0
<i>Mortgages</i>	4.5	4.5	4.5
<i>Guarantees and deposit guarantees</i>	5.1	3.4	3.3
<i>Investment commitments to real estate funds</i>	3.5	3.5	3.5
<b>Interest rate derivatives, M€</b>	<b>30.6.2019</b>	<b>30.6.2018</b>	<b>31.12.2018</b>
<i>Cap options purchased, notional value</i>	2,207.6	2,207.6	2,207.6
<i>Cap options purchased, fair value</i>	0.0	0.0	0.0
<b>Currency derivatives, M€</b>	<b>30.6.2019</b>	<b>30.6.2018</b>	<b>31.12.2018</b>
<i>Currency options, bought, notional value</i>	0.4	2.6	2.8
<i>Currency options, bought, fair value</i>	0.0	0.0	0.0

All derivative contracts belong to level 2 in the fair value hierarchy mentioned in IFRS 7. Third party external valuations are used for the purpose of fair value recognition.

The decline in off-balance sheet lease liabilities is due to the adoption of IFRS 16 on 1 January 2019, the effects of which are described in more detail in the Accounting principles section. After the adoption of IFRS 16 on 1 January 2019, off-balance sheet lease liabilities consist of liabilities related to short-term leases and leases of low value.

#### **Related party transactions**

##### **Business transactions carried out with related parties; receivables from and liabilities to related parties as of 30 June 2019**

There were no material business transactions with related parties during the period under review.

##### **Business transactions carried out with related parties; receivables from and liabilities to related parties as of 30 June 2018**

<b>M€</b>	<b>Liabilities</b>	<b>Receivables</b>
<i>Polar Bidco S.à r.l.</i>	5.0	6.3
<i>Total</i>	5.0	6.3