



Sponda Financial Results Q1 2015

5 May 2015

SPONDA



Highlights for the period

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Sponda's Q1 2015 in brief

- Occupancy rate at 86.8% (Q1 2014: 86.2%).
- Cash flow was strong despite the property divestments.
- One property development project completed in Ruoholahti.
 - Three other projects progressing on schedule.
- One large property development project, shopping centre Ratina, started in Tampere.



Sponda's Q1 2015 in brief

- Property valuation done internally in Q1.
 - Values in Finland after investments were stable.
 - Valuation in Russia was negative due to temporary rent reductions.
 - No adjustments made to valuation yields.
- Refinancing of EUR 115 million completed after the reporting period.
 - Bilateral 5-year loan negotiated in April to refinance a loan maturing in July 2015.







- Construction 2015-2018
- Will open in summer 2018
- Leasable retail space 53,000 m²
- Over 150 shops
- Parking facilities for 1 250 cars



VALO-RATINA



3+2 floors

39 000 m²

Development and modernization investments

For the three greenfield projects Sponda expects 15% development gain.

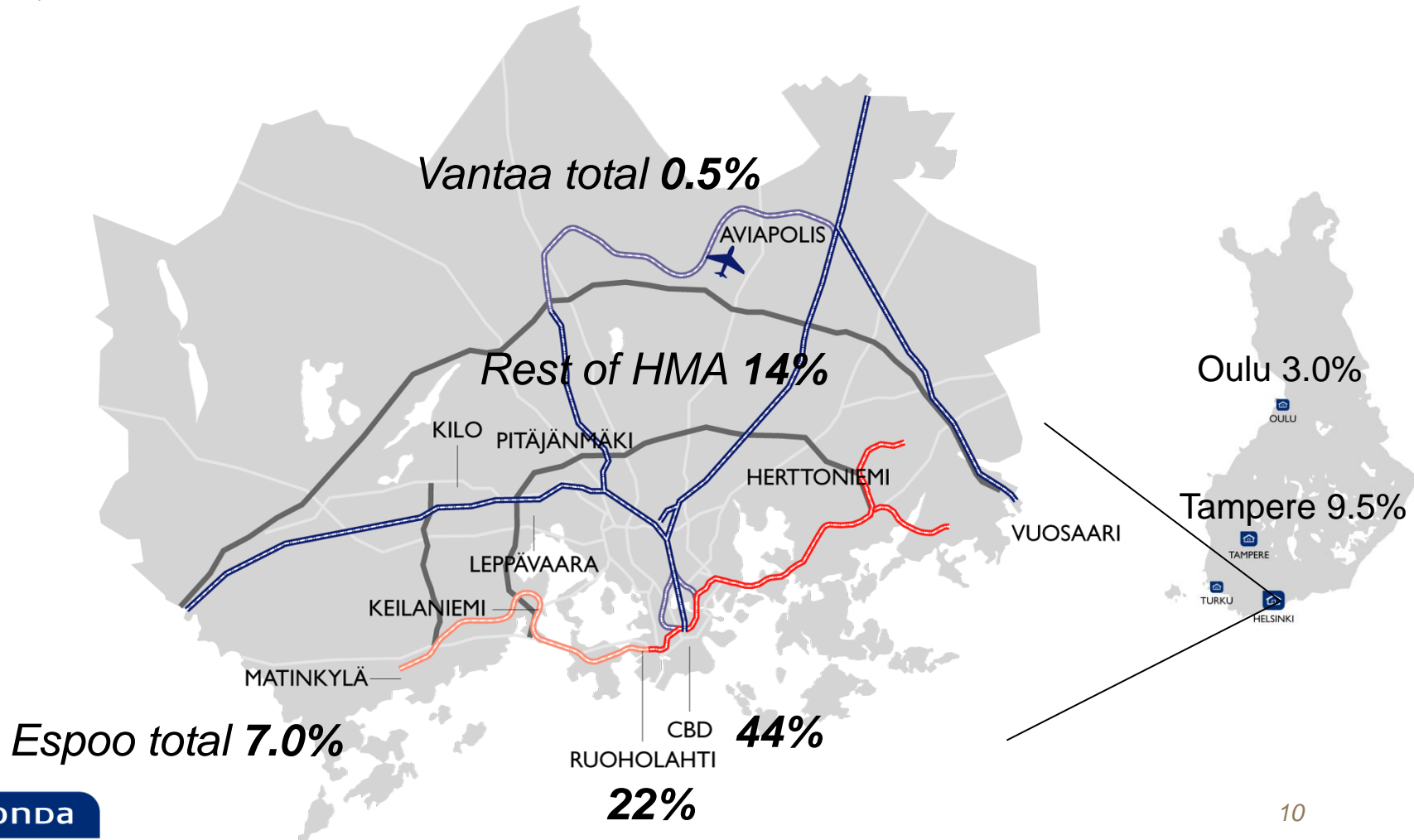
	Leasable area m ²	Estimated completion	Total investment M€	Investment by the end of March 2015	Pre-let %	Estimated market rent Eur/m ² /month
Greenfield developments						
Ratina shopping centre, Tampere	53,000	Summer 2018	240.0	38.0	30	N/A
Ilmala office property, Helsinki	18,500	End of 2015	57.0	23.8	100	22-24
Lassila office property, Helsinki	4,600	June 2015	10.6	6.1	50	22-24
Modernization investments						
Porkkalankatu, Helsinki	13,500	Completed at the end of March 2015	6.7	5.6	92	23-25
Keskuskatu 1b, Helsinki	2,048	September 2015	6.4	2.9	62	34-36
Total	91,648		320.7	76.4		

Sponda Q1 2015: Performance highlights

	1-3/15	Change, %	1-3/14	1-12/14
Total revenue, M€	57.2	(9.9)	63.5	246.7
Net Operating Income, M€	39.6	(10.0)	44.0	176.0
Operating profit, M€	27.6	(12.9)	31.7	151.7
Cash flow from operations/share, €	0.08	(11.1)	0.09	0.37
Earnings/share, €	0.04	-	0.04	0.24
NAV/share, €	4.50	0.2	4.49	4.65
EPRA NAV/share, €	5.30	2.3	5.18	5.45
Economic occupancy rate, %	86.8	0.7	86.2	87.0
Dividend/share				0.19

Risk allocation of Sponda's portfolio

Total of the office and shopping centres properties portfolio, EUR 2.6 billion (excl. Russia, Property Development, Logistics)



Sponda's priorities in 2015

Occupancy rate development

Our target is to keep occupancy rate at the end-of-2014 level at minimum.

At the end of March 2015, our occupancy rate was 86.8%.

Implementing our strategy

We will continue the non-core property disposals.

To-date we have sold properties for EUR 17.8 m.

Stable cash flow from operations per share

We aim to maintain our ability to pay stable dividend.

Dividend paid for fy 2014 EUR 0.19.

Focus in property development

During 2015, four large property development projects will be completed. Our target is to start at least one large development project in 2015.

In March we announced a start of Ratina shopping centre.



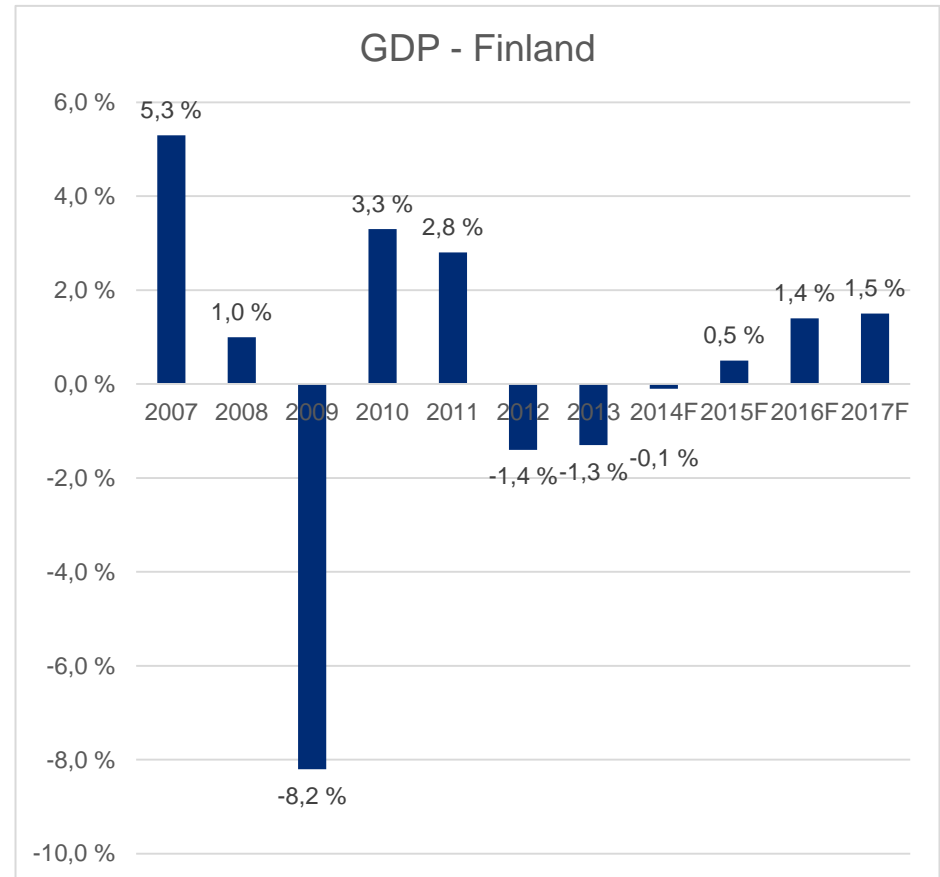
Major Trends in Q1 2015

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Finnish Market

- According to the Ministry of Finance, the GDP growth for 2015 is estimated to be 0.5%.
 - In 2014, the GDP growth was 0.1%.
- Property transaction volume was EUR 0.5 billion during the first quarter.
 - International investors accounted for 39% of the deals.



Office Sector – Market and Sponda

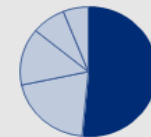
- HMA office market vacancy is 12.5% but is estimated to have increased during Q1 2015.
- Yields in the Helsinki CBD market have been stable and have remained on a low level.
- Office market is particularly active in CBD and Ruoholahti areas.
- The trend in demand is for smaller space and more flexible leases.



Sponda Office Segment performance

Occupancy rate was 87.9% (Q1 2014: 88.2%).

Like-for-like rents were up by 0.7%.



Retail Sector – Market and Sponda

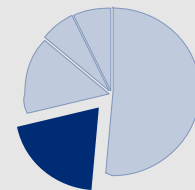
- City centers are preferred locations for the retailers.
- Rents are fairly stable but levels are very much dependent on location.
- Consumer confidence in Finland has improved slightly from 2014.
 - Consuming is still modest although small signs of improvement in sentiment can be seen.
- In Tampere the market is solid, and Ratina shopping centre development will give it a further boost.



Sponda Shopping Centres performance

Occupancy rate was 90.3% (Q1 2014: 92.9%).

Like-for-like rents were up by 0.5%.



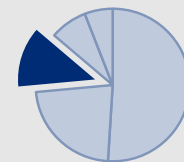
Logistics Sector – Market and Sponda

- Logistics rental activity has increased at the beginning of the year.
- Potential tenants are looking for flexible space with flexible lease agreement.
- Retail sector in Finland is not creating similar demand for warehouses like in the continental Europe.

Sponda Logistics Segment performance

Occupancy rate was 68.5% (Q1 2014: 71.7%) ¹⁾.

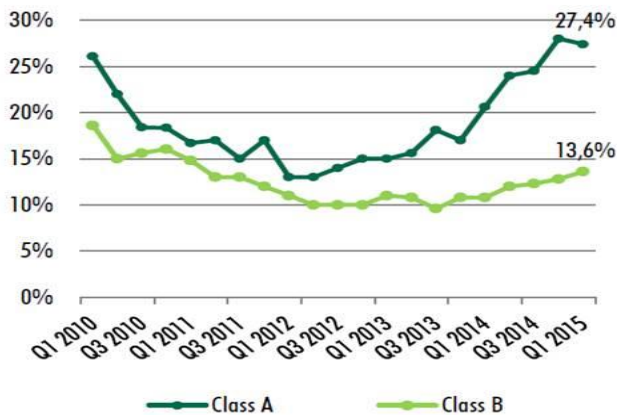
Like-for-like rents were up by 15.5% due to occupancy improvement and bigger changes in monthly income & expenditure.



Russia – Market and Sponda

- The GDP growth in 2015 is estimated to be -4.0%.
- Transaction volume was USD 0.4 billion in Q1 2015.
- According to CBRE, the vacancy rate in Moscow offices increased to 17%.
- The top rents for offices:
 - A-class offices 450-650 USD/m²/yr.
 - B-class offices 275-450 USD/m²/yr.

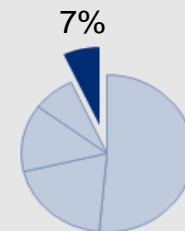
Figure 13: Vacancy rates by class



Russia

Occupancy was 90.1% (Q1 2014: 88.4%).

Like-for-like rents were down by 7.2% due to reduction in rent levels.





Financials

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Profit & loss statement

M€	1-3/2015	1-3/2014	1-12/2014
Total revenue	57.2	63.5	246.7
Expenses	(17.5)	(19.5)	(70.6)
Net operating income	39.6	44.0	176.0
Profit on sale of inv. Properties	(0.5)	0.1	0.6
Valuation gain / loss	(9.9)	(6.7)	(0.2)
Profit on sale of trading properties	0.0	0.1	2.0
SGA expenses	(5.8)	(5.5)	(22.1)
Share of profit from associated companies	3.6	0.0	(3.5)
Other operating income/expenses	0.6	(0.3)	(1.2)
Operating profit	27.6	31.7	151.7
Financial income and expenses	(12.6)	(15.3)	(55.9)
Profit before taxes	15.0	16.4	95.7
Taxes from previous and current fin. Years	(0.8)	(0.4)	(1.8)
Deferred taxes	(2.9)	(3.0)	(20.4)
Profit for the period	11.3	12.9	73.6

Valuation gains/losses

M€	1-3/2015	1-3/2014	1-12/2014
Changes in yield requirements (Finland)	0.0	0.0	15.7
Changes in yield requirements (Russia)	0.0	0.0	(10.0)
Profit/loss from property development projects	1.1	0.0	5.5
Modernization investments	(11.0)	(5.4)	(42.0)
Change in market rents and maintenance costs (Finland)	9.2	5.4	40.3
Change in market rents and maintenance costs (Russia)	(12.5)	(7.2)	(19.3)
Change in exchange rates	3.3	(1.2)	5.9
Investment properties, total	(9.9)	(8.5)	(3.9)
Real estate funds	0.0	0.1	(1.8)
Realised gains/losses in re funds	0.0	1.7	5.5
Group, total	(9.9)	(6.7)	(0.2)

Financing

	Q1/2015	Q4/2014	Q3/2014	Q2/2014	Q1/2014
Equity ratio, %	40	41	40	40	40
Average interest rate, %	2.8	2.9	2.8	3.0	3.1
Hedging, %	76	76	76	79	78
Average loan maturity, yrs	1.9	2.1	1.6	2.0	2.2
Average fixed interest rate period, yrs	2.1	2.3	2.2	2.4	2.4
Interest cover ratio	3.5x	3.3x	3.3x	3.2x	3.1x
Loan to Value, %	53	52	55	53	54

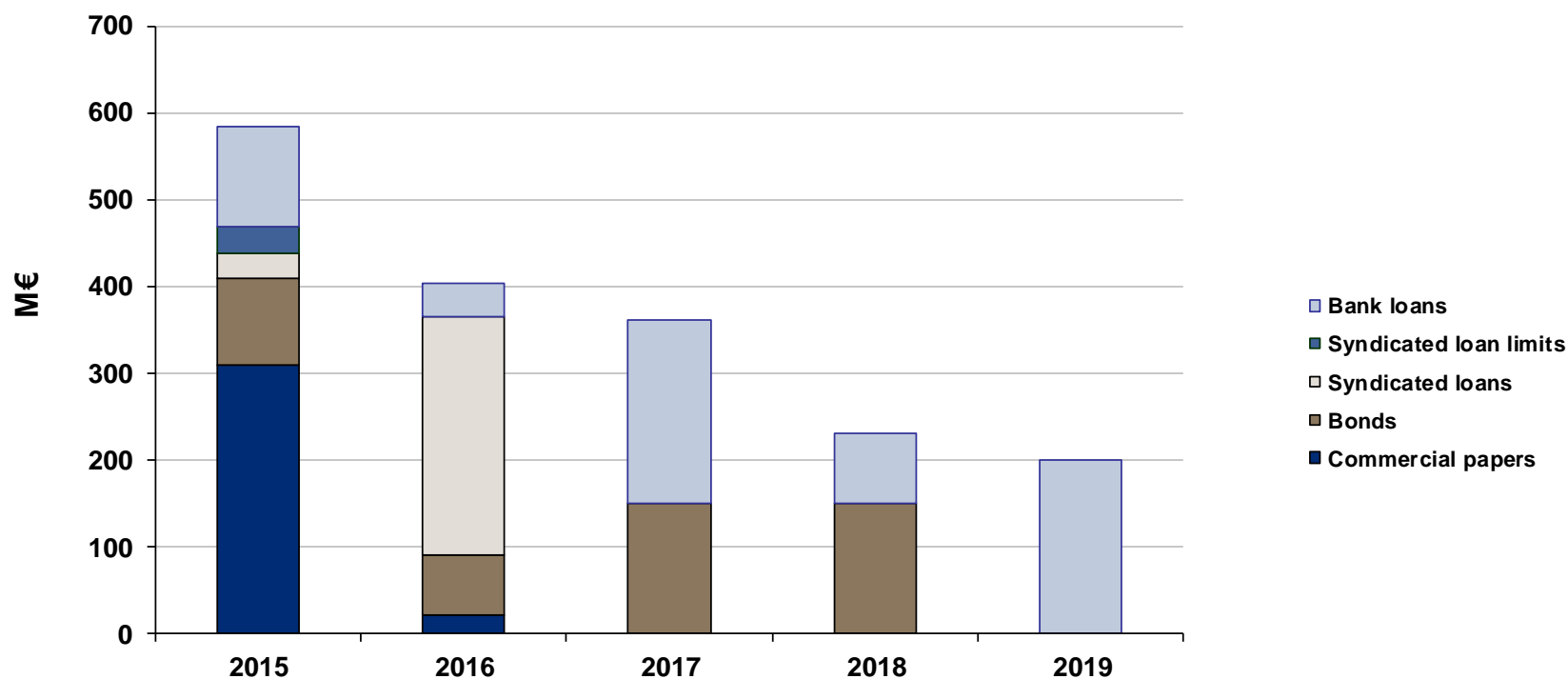
Covenants at:

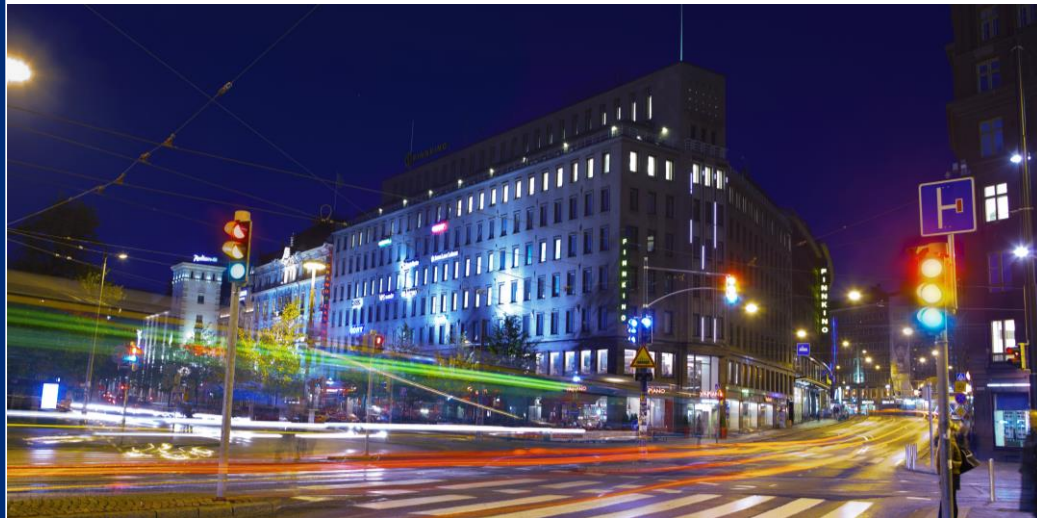
Equity ratio, 28%
(long-term ER target: 40%)

ICR 1.75x

Loan maturities 31 March 2015

- Interest-bearing debt EUR 1,775.2 million
- Unused financing limits EUR 480 million





Business Update

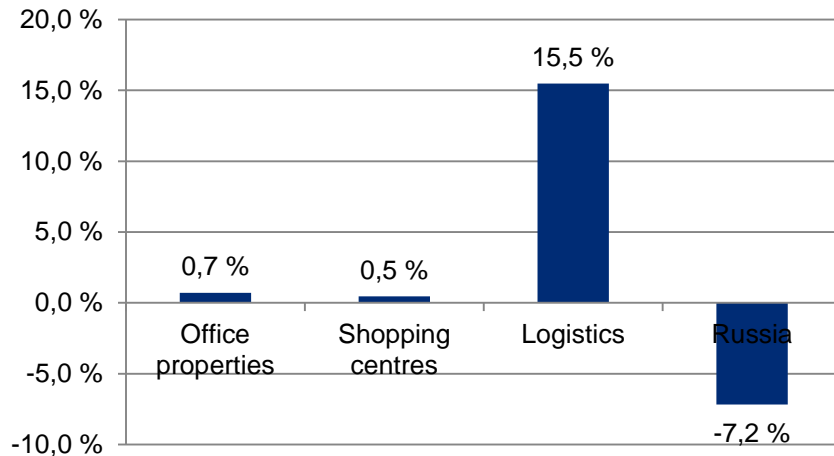
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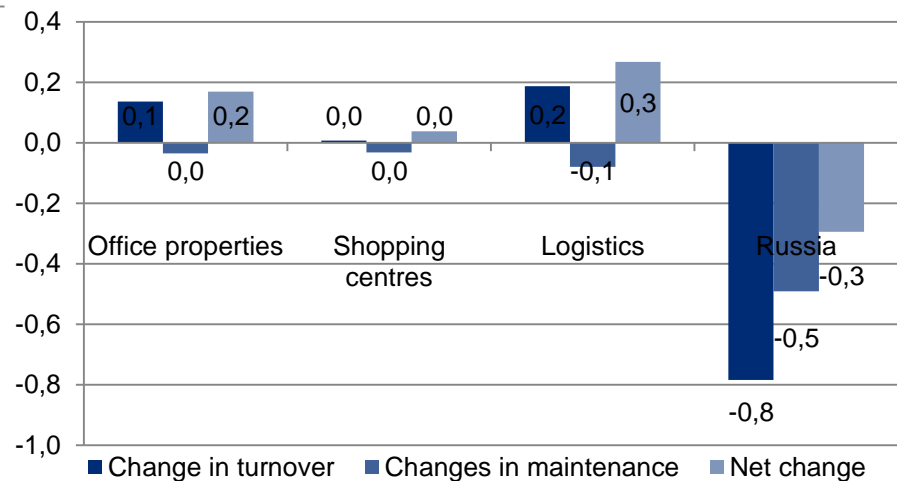
Like-for-like development in Q1 2015

Like-for-like net rental growth has been calculated from a portfolio that Sponda has held for 2 years excluding acquisitions, disposals and property development.

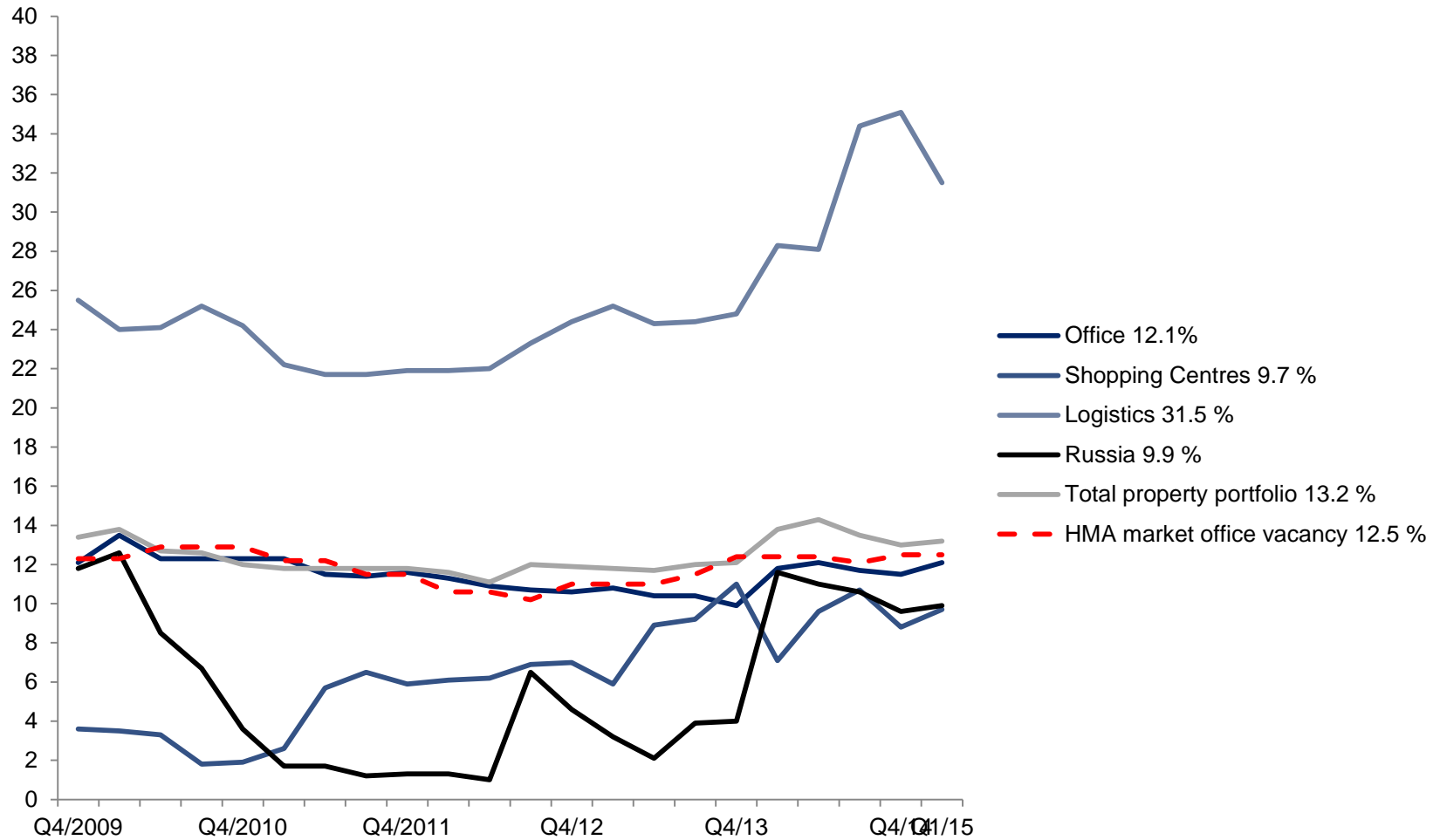
Like-for-like net rental growth, %



Like-for-like net rental growth, M€



Economic vacancy rate 2009 –Q1 2015



Lease agreements in Q1 2015

	Pcs	M²	€/m²/month (avg)*
New agreements that came into force during the period	74	12 867	17.30
Agreements that ended during the period	73	23 583	13.90
Agreements that were extended during the period	51	40 781	13.00

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

- All lease agreements in Finland are linked to CPI.
- Ten largest tenants account for 31 % of rental income.

Investment portfolio development

- We are creating value by property development and active portfolio management.
- Our aim is to sell non-core assets classified as such either by location or development potential.

M€	2011	2012	2013	2014	Q1 2015
Property development investments	58.5	47.5	14.0	22.0	10.8
Maintenance investments/ Tenant improvements	50.5	28.4	22.6	42.0	11.0
Acquisitions	150.4	53.1	3.1	65.0	0.0
Disposals	14.1	61.8	33.1	237.2	6.3*)

Prospects and financial targets

Net operating income

Sponda estimates that the net operating income for 2015 will amount to EUR 158–168 million. The estimate is based on the company's view of property sales to be completed and the development of rental operations during the year.

EPRA Earnings

Sponda estimates that company adjusted EPRA Earnings in 2015 will amount to EUR 95–105 million. This outlook is based on the development of net operating income and the company's estimate of the development of financial expenses.

Financial targets

Long-term equity ratio target is 40 %.

Dividend policy is to pay approx. 50 % of the operational cash earnings per share, taking into account of the economic situation and company's development needs.



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Strategy

Main goals of Sponda's strategy are to simplify the business as a whole, to have more focused property portfolio, and to grow profitably.

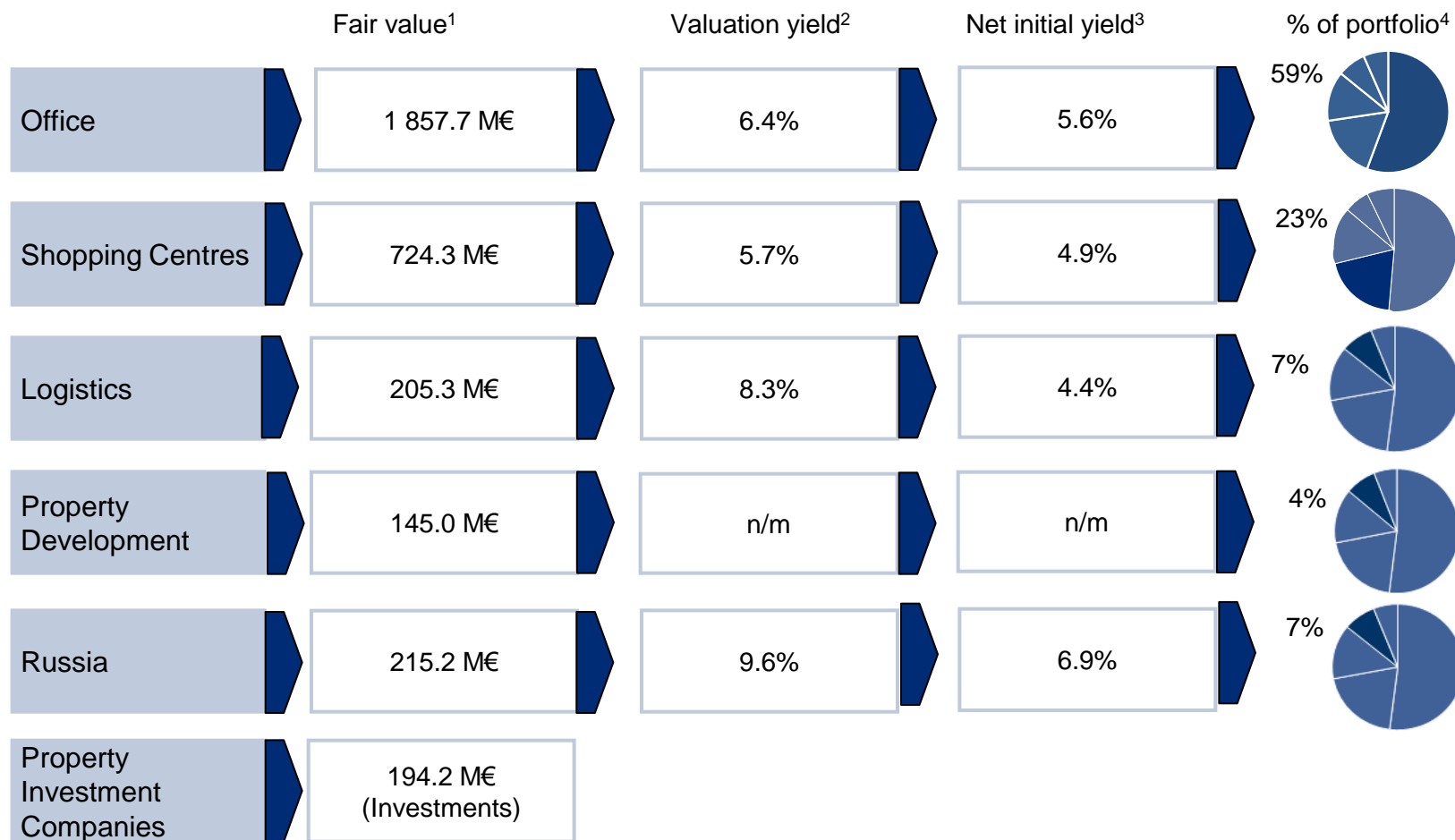
- To achieve the strategic goals, Sponda is:
 - Selling the logistics portfolio;
 - Selling the Russian portfolio;
 - Selling the properties in Turku; and
 - Investing in prime properties in Helsinki and Tampere.



Largest Shareholders 31 March 2015

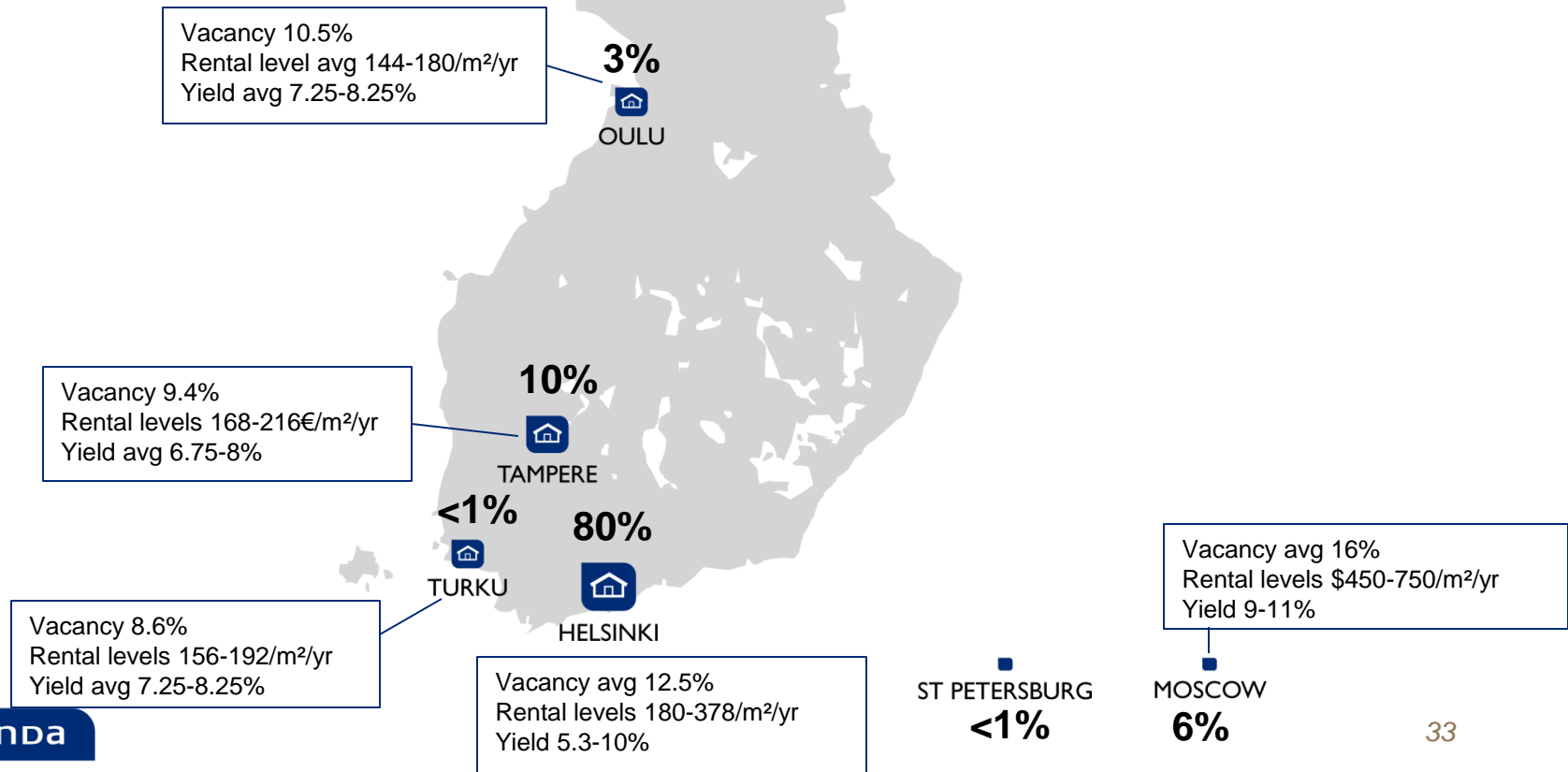
	Major shareholders	No. of shares	Holding %
1.	Oy PALSK Ab	42,163,745	14.89
2.	Varma Mutual Pension Insurance Company	29,083,070	10.27
3.	HC Fastigheter Holding Oy Ab	28,484,310	10.06
4.	Skandinaviska Enskilda Banken AB	2,846,686	1.01
5.	The State Pension Fund	2,800,000	0.99
6.	Odin Eiendom	1,443,597	0.51
7.	Odin Eiendom I	969,085	0.34
8.	Norvestia plc	598,196	0.21
9.	Paju Markku Juhani	548,467	0.19
10.	Livränteanstalten Hereditas	540,000	0.19
	Nominee-registered shareholders 50.7% of the total		

Overview of the current reporting segments



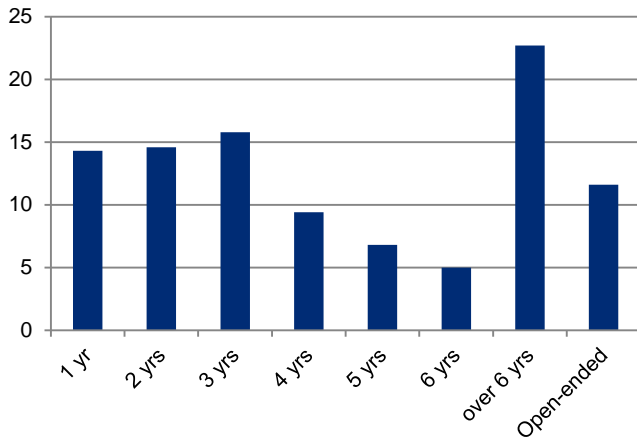
Office market statistics and Sponda's holdings

Source: Catella Property, Sponda

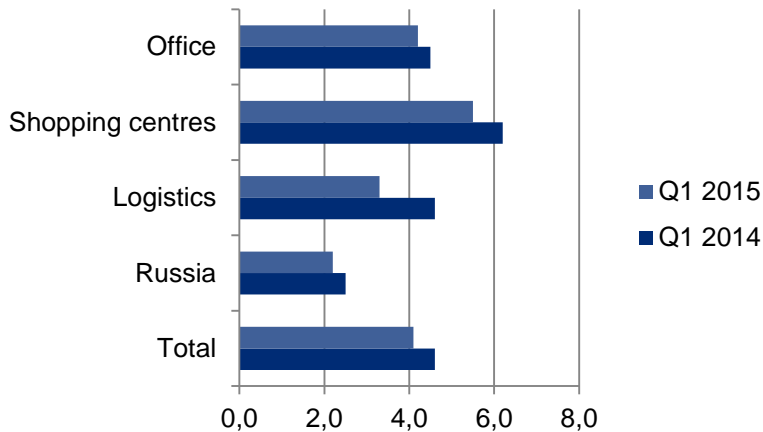


Lease agreement composition Q1 2015

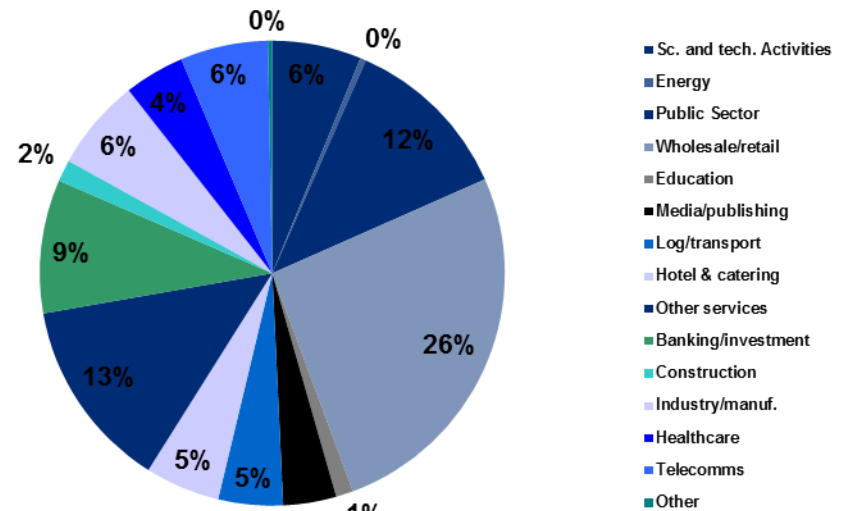
Lease maturity profile,
% of rental income



Average lease maturity



Tenant breakdown by sector¹

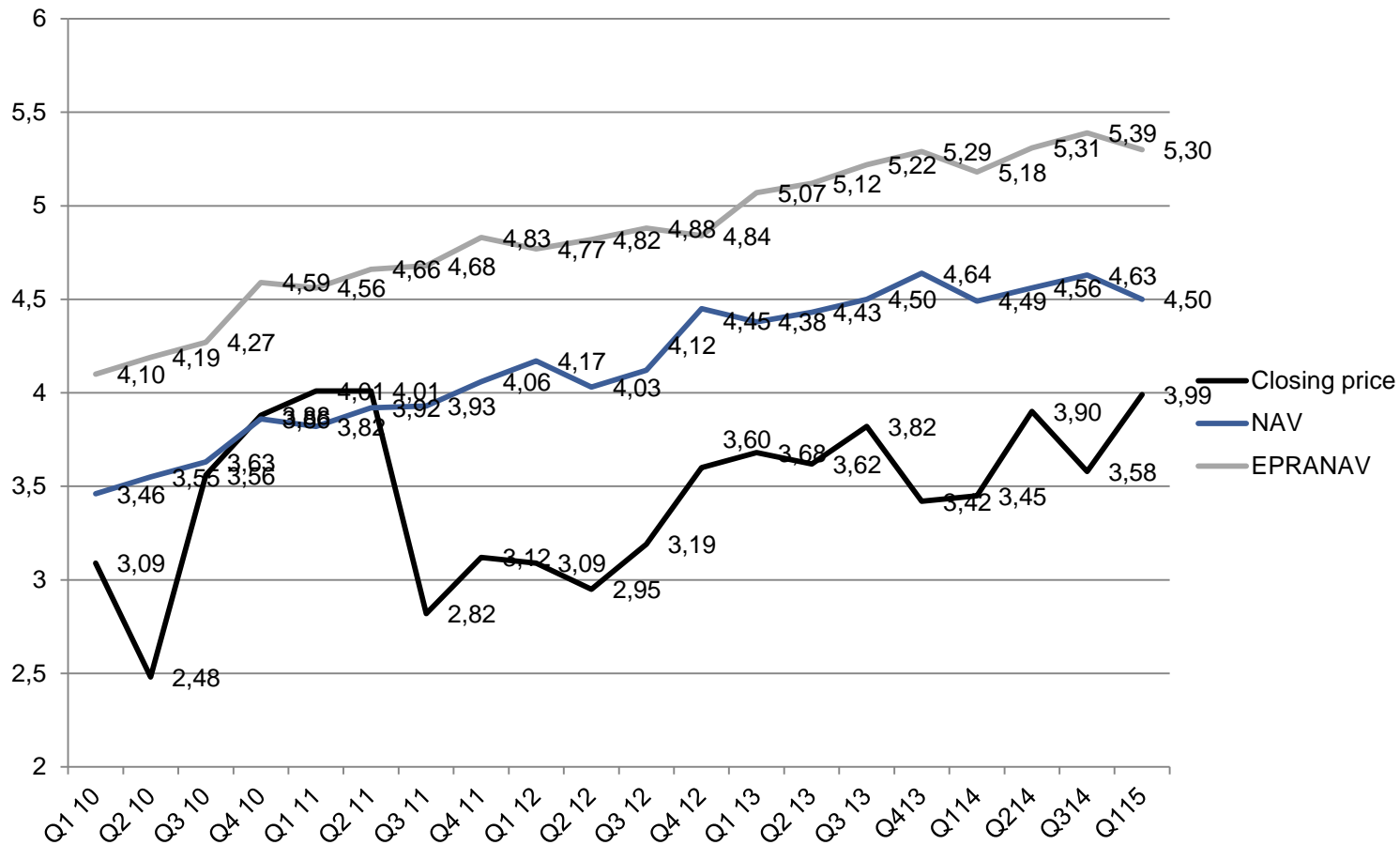


Note 1: Based on rental income

Balance sheet

M€	31.3.2015	31.3.2014	31.12.2014
ASSETS			
Investment properties	3,136.1	3,253.4	3,142.1
Other non-current assets	254.8	156.3	250.9
Fixed assets & other non-current assets, total	3,390.9	3,409.7	3,393.0
Current assets, total	45.2	60.4	56.2
Assets, total	3,447.4	3,470.1	3,449.2
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity, total	1,369.8	1,367.9	1,411.5
Non-current liabilities, total	1,413.9	1,701.9	1,413.6
Current liabilities, total	663.1	400.3	624.1
Shareholders' equity and liabilities, total	3,447.4	3,470.1	3,449.2

NAV/share and EPRA NAV/share



EPRA NAV calculation

5.30 €/share

