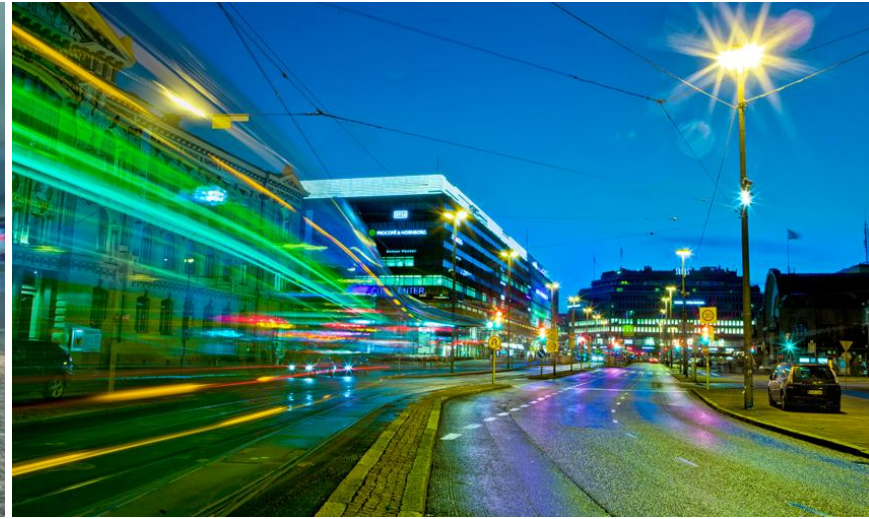




Sponda Financial Results Q2 2014

1 August 2014

SPONDA



Performance Highlights

Kari Inkinen

SPONDA

Sponda's Q2 2014 in brief

- Finnish operations are challenging but stable.
- Positive and value adding is our property development and acquisitions:
 - Ilmala office development;
 - Lassila office development;
 - Renovation for Sanoma Media Finland Oy; and
 - Renovation of Keskuskatu 1b.
 - Office property in Tampere bought for EUR 63.7 million.



Development and modernization investments

	Leasable area m ²	Estimated completion	Total investment M€	Occupancy %	Estimated market rent Eur/m ² /month
Greenfield developments					
Ilmala office property, Helsinki	15,000	End of 2015	57.0	83	22-24
Lassila office property, Helsinki	4,600	June 2015	10.6	43	22-24
Modernization investments					
Porkkalankatu, Helsinki	13,500	April 2015	6.7	87	23-25
Keskuskatu 1b, Helsinki	2,048	August 2015	6.4	N/A	30-33
Total	35,148		80.7		

Setting up Certeum is progressing

- In April, Sponda agreed to sell 12 logistics properties and Sponda Fund I, Sponda Fund II and Sponda Fund III into a new industrial property company, Certeum Oy.
- The logistics sale totals EUR 216.7 million and the equity in the property funds was valued at EUR 77.4 million at the time of signing.
- Certeum is in the process of being set up.
- The closing of the property transaction is still at the end of September 2014.

Sponda Q2 2014: Performance highlights

	4-6/14	Change, %	4-6/13	1-6/14	Change %	1-6/13	1-12/13
Total revenue, M€	62.6	(6.8)	67.2	126.1	(5.3)	133.2	264.3
Net Operating Income, M€	45.5	(6.4)	48.6	89.4	(4.9)	94.0	190.9
Operating profit, M€	44.9	23.0	34.6	76.6	(3.5)	79.4	153.0
Cash flow from operations/share, €	0.08	(20.0)	0.10	0.17	(10.5)	0.19	0.40
Earnings/share, €	0.09	125.0	0.04	0.13	18.2	0.11	0.34
NAV/share, €				4.56	2.9	4.43	4.64
EPRA NAV/share, €				5.31	2.7	5.17	5.29
Economic occupancy rate, %				85.7	(2.9)	88.3	87.9

Our priorities 2014

Occupancy rate
development

Our target is to keep occupancy rate at the end-of-2013 level.

Implementing our new strategy

We are in the process of disposing logistics properties for EUR 216.7 million and disposing our share of the real estate funds. One larger office property acquired in Tampere.

Stable cash flow from operations per share

We aim to maintain our ability to pay stable dividend.

Increased focus in property development

During 2014, we have started three projects: Ilmala office, Lassila office and Sanoma renovation.



Office property acquisition in Tampere

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Office property acquisition

- Sponda acquired an office property in the centre of the city of Tampere for EUR 63.7 million.
- The property has a leasable space of 20,000 m² and parking space for 308 cars.
- The property is almost fully let with economic occupancy rate of 97.0%.
- Provides stable cash-flow with net initial yield of around 7%.





Market Update

Kari Inkinen

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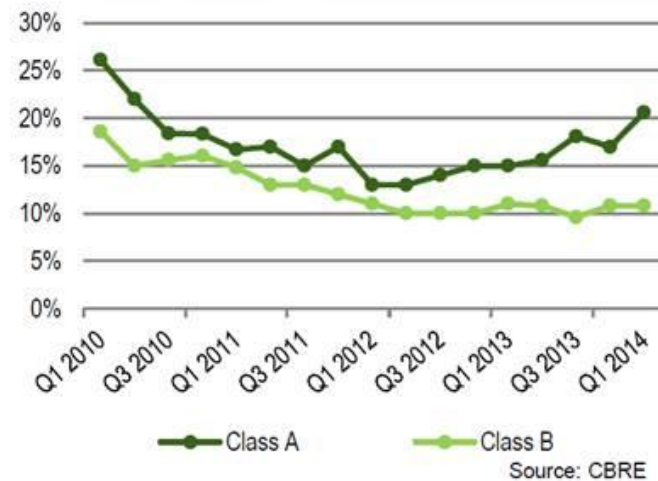
Finnish property market

- The GDP growth is estimated to be 0.2% in 2014.
- Transaction market continued to be active. KTI estimates that the H1 2014 volume was EUR 1.3 billion.
 - More than 50% of the transactions were done by international investors.
 - The total amount is still excluding the property transactions by Certeum.
- Helsinki CBD vacancy and rents are stable and continues to outperform the rest of the market.
 - Espoo and Vantaa are underperforming with vacancies above and below 20%.
- According to Jones Lang LaSalle, property yields are stable except from Helsinki CBD offices, where yields have compressed 0.1%-points to 5.1%.

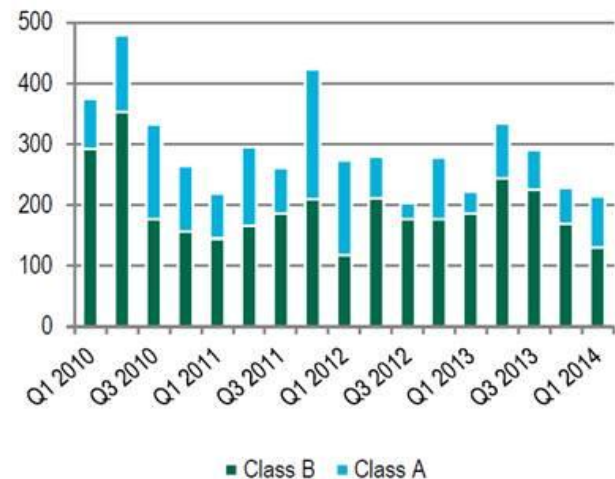
Russian property market

- The GDP growth is estimated to be 0.5% in 2014.
- Transaction market has slowed down significantly in H1 2014, and the volume was USD 1.6 billion (H1 2013: USD 3.7 billion).
- Vacancy rate in office properties in Moscow increased to 14.5%.
- The top rents for A-class offices in Moscow are still stable at 1000 USD/m²/year. The bottom rents for A-class offices have come down somewhat.

Vacancy Rate by Class



Take-up by class, 000 sq m





Financials

Erik Hjelt

SPONDA

Profit & loss statement

M€	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Total revenue	62.6	67.2	126.1	133.2	264.3
Expenses	(17.1)	(18.6)	(36.7)	(39.2)	(73.4)
Net operating income	45.5	48.6	89.4	94.0	190.9
Profit on sale of inv. Properties	0.5	0.4	0.5	0.4	0.8
Valuation gain / loss	4.8	(7.7)	(1.8)	(2.2)	(14.2)
Profit on sale of trading properties	0.0	0.0	0.1	0.0	0.0
SGA expenses	(5.6)	(6.4)	(11.1)	(12.1)	(23.2)
Other operating income/expenses	(0.5)	(0.3)	(0.6)	(0.6)	(1.4)
Operating profit	44.9	34.6	76.6	79.4	153.0
Financial income and expenses	(14.5)	(15.3)	(29.9)	(28.8)	(59.8)
Profit before taxes	30.3	19.4	46.7	50.7	93.2
Taxes from previous and current fin. Years	(0.7)	(0.8)	(1.2)	(1.9)	(3.8)
Deferred taxes	(4.1)	(4.8)	(7.1)	(11.2)	(22.5)
Change of tax base of deferred taxes	0.0	0.0	0.0	0.0	36.3
Profit for the period	25.6	13.8	38.5	37.5	103.1

Valuation gains/losses

M€	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Changes in yield requirements (Finland)	3.3	(5.7)	3.3	(5.7)	(5.0)
Changes in yield requirements (Russia)	0.0	0.0	0.0	0.0	0.0
Profit/loss from property development projects	0.0	1.9	0.0	2.2	2.2
Modernization investments	(10.7)	(5.0)	(16.2)	(9.5)	(22.6)
Change in market rents and maintenance costs (Finland)	10.0	5.3	15.4	10.0	22.1
Change in market rents and maintenance costs (Russia)	0.4	(3.3)	(6.8)	(2.0)	(7.1)
Change in exchange rates	2.7	(2.5)	1.5	0.8	(5.7)
Investment properties, total	5.7	(9.3)	(2.8)	(4.2)	(16.1)
Real estate funds	(2.7)	(0.6)	(2.6)	(2.5)	(8.8)
Realised gains/losses in re funds	1.9	2.2	3.5	4.5	10.7
Group, total	4.8	(7.7)	(1.8)	(2.2)	(14.2)

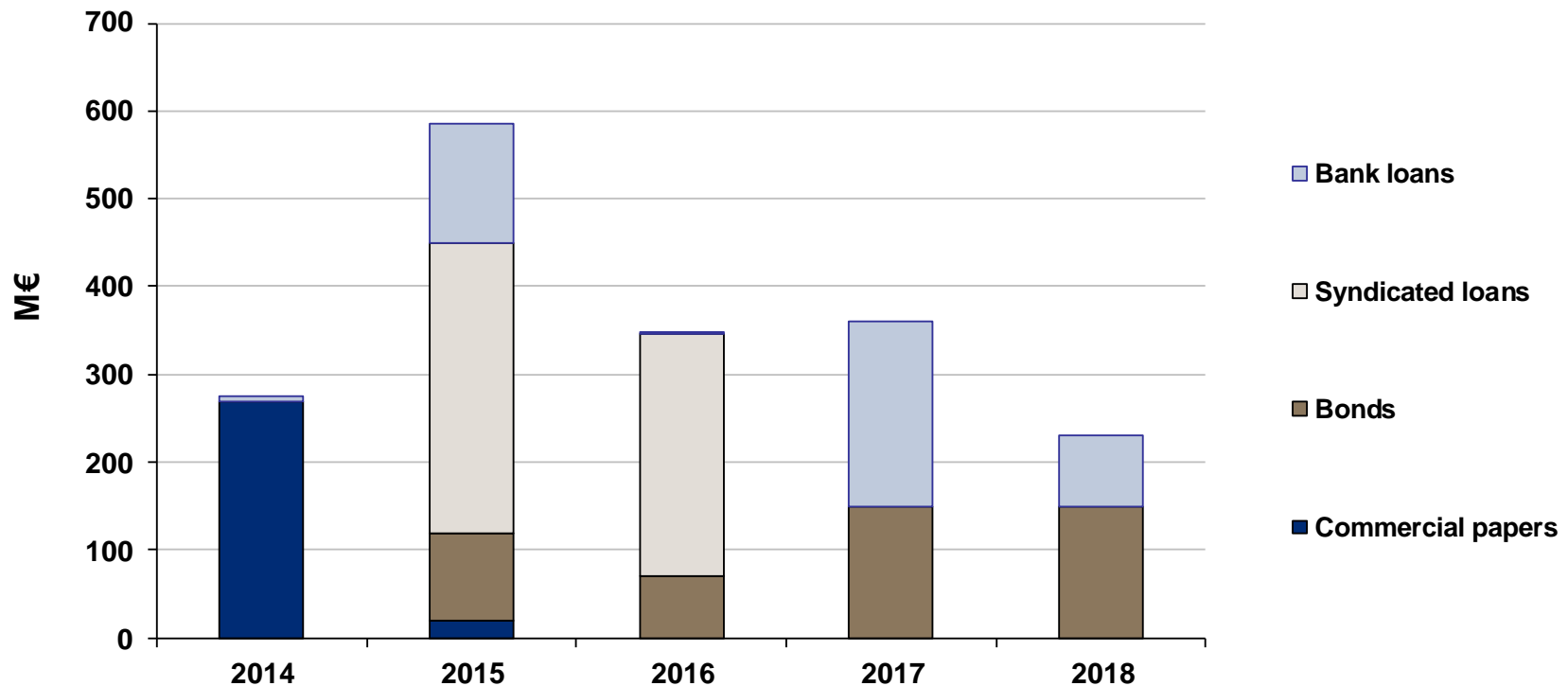
Financing

	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013
Equity ratio, %	40	40	41	39	39
Average interest rate, %	3.0	3.1	3.2	3.1	3.3
Hedging, %	79	78	79	74	68
Average loan maturity, yrs	2.0	2.2	2.5	2.2	2.1
Average fixed interest rate period, yrs	2.4	2.4	2.3	1.9	1.5
Interest cover ratio	3.2x	3.1x	3.1x	3.0x	2.9x
Loan to Value, %	53	54	53	54	54

Covenants at:	Q2 2014
Equity ratio, 28% (long-term ER target: 40%)	40.2%
ICR 1.75x	3.2x

Loan maturities 30 June 2014

- Interest-bearing debt EUR 1,793.1 million
- Unused financing limits EUR 510 million





Business Update

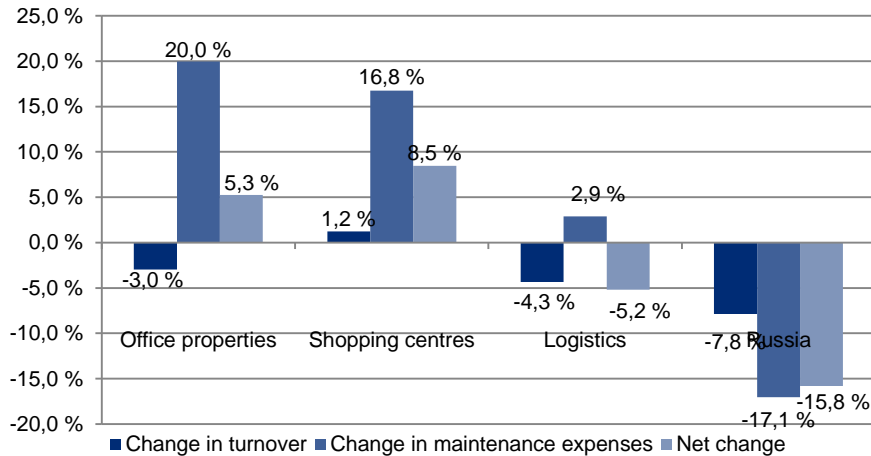
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Like-for-like development in Q2 2014

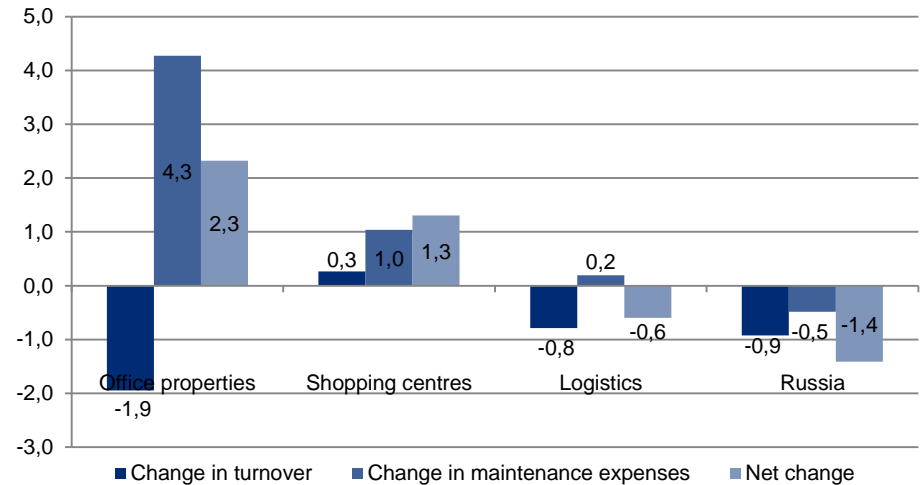
Like-for-like net rental growth has been calculated from a portfolio that Sponda has held for 2 years excluding acquisitions, disposals and property development.

Like-for-like net rental growth, %



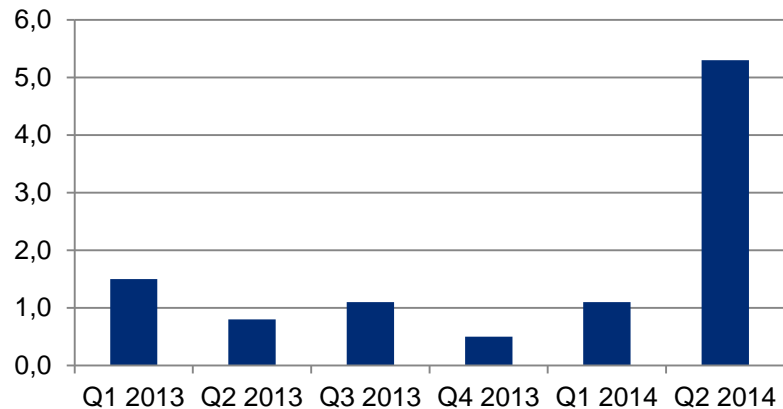
- L-f-l development as a percentage is positive in office and shopping centre segments mainly due to lower maintenance expenses.

Like-for-like net rental growth, M€

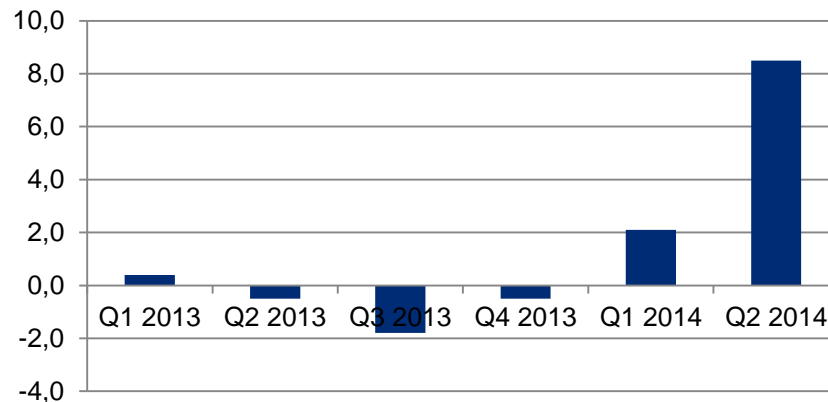


Like-for-like rental growth Q1 2013-Q2 2014, %

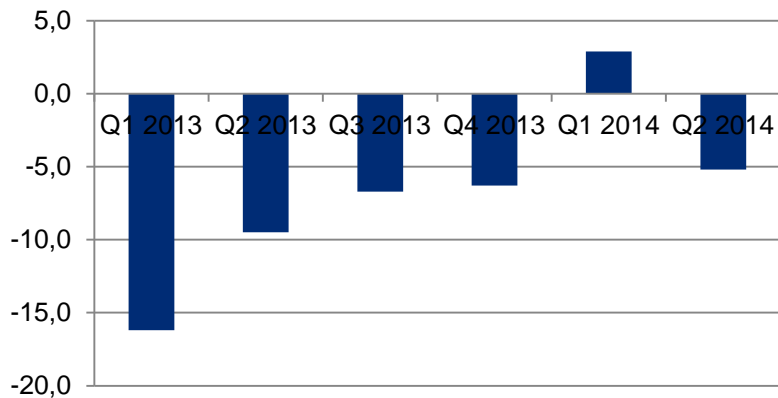
Office



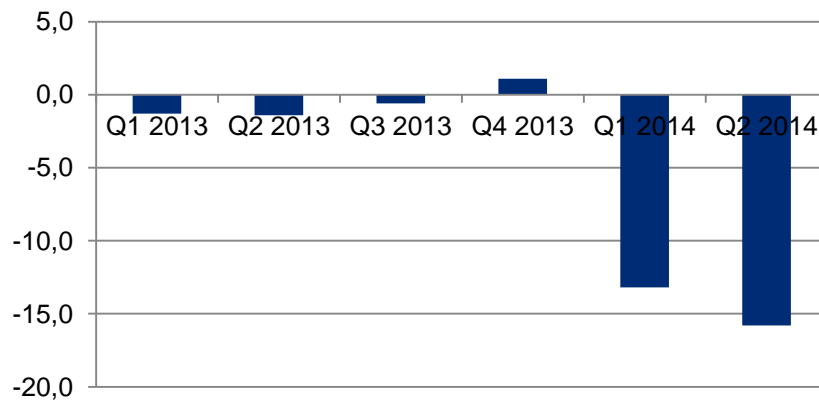
Shopping Centres



Logistics



Russia



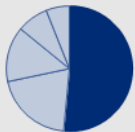
Segment performance



Office

Occupancy rate was 87.9% *) (Q2 2013 : 89.6%).

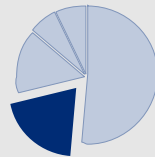
Like-for-like rents were up by 5.3%. The improvement was mainly due to lower maintenance costs during the period.



Shopping Centres

Occupancy rate was 90.4% *) (Q2 2013: 91.1%).

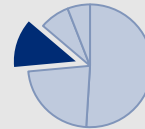
Like-for-like rents were up by 8.5%. The improvement was mainly due to lower maintenance costs during the period.



Logistics

Occupancy rate was 71.9% (Q2 2013: 75.7%).

Like-for-like rents were down by 5.2% due to higher vacancy.



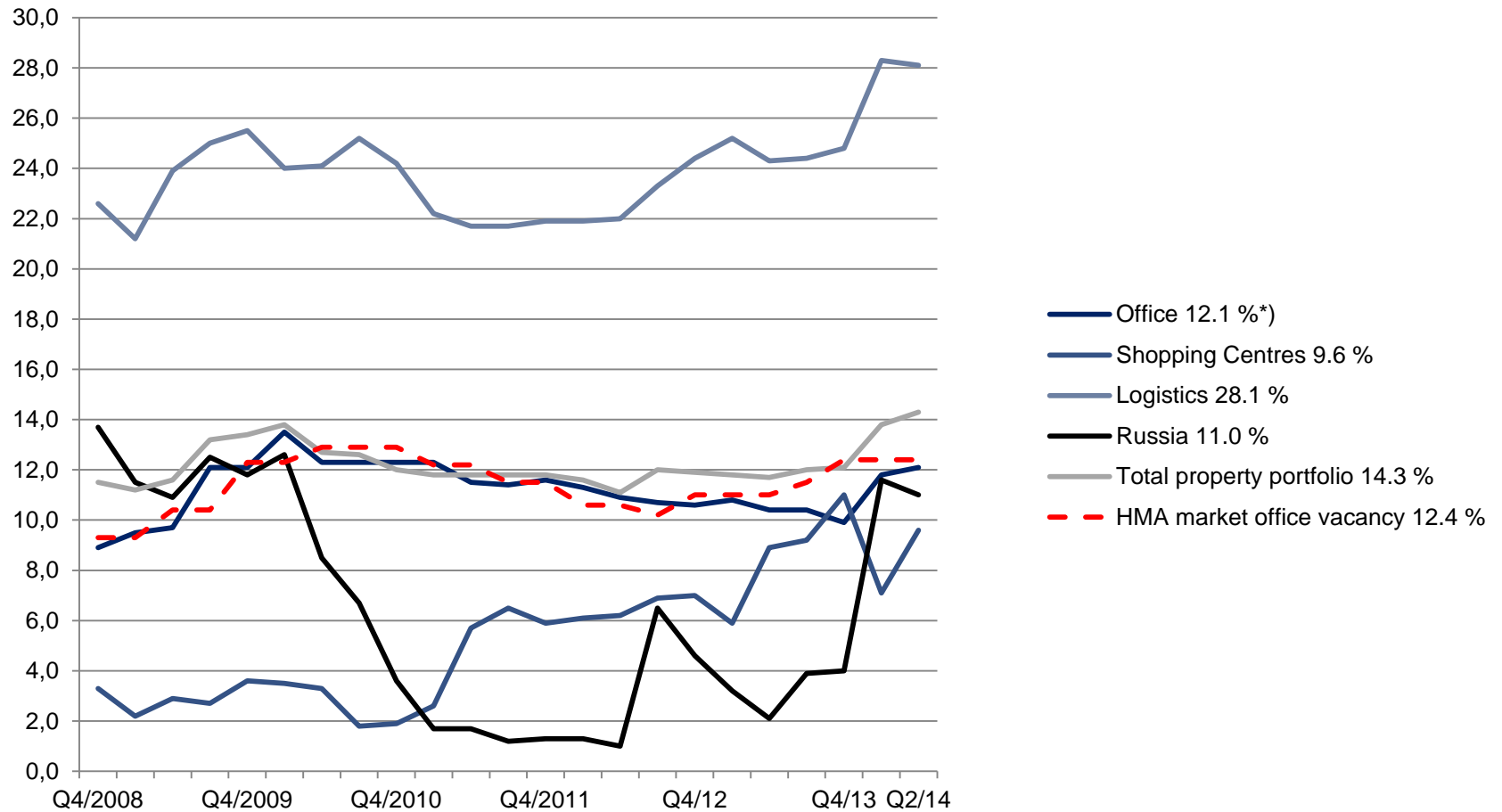
Russia

Occupancy was 89.0% (Q2 2013: 97.9%).

Like-for-like rents were down, -15.8%, due to higher vacancy in the Ducat II –property.

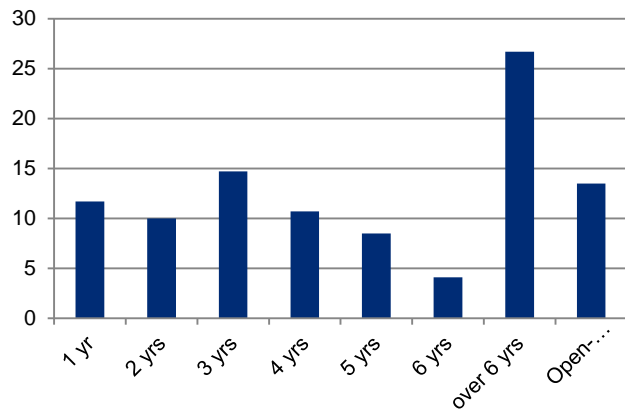


Economic vacancy rate 2008 – Q2 2014

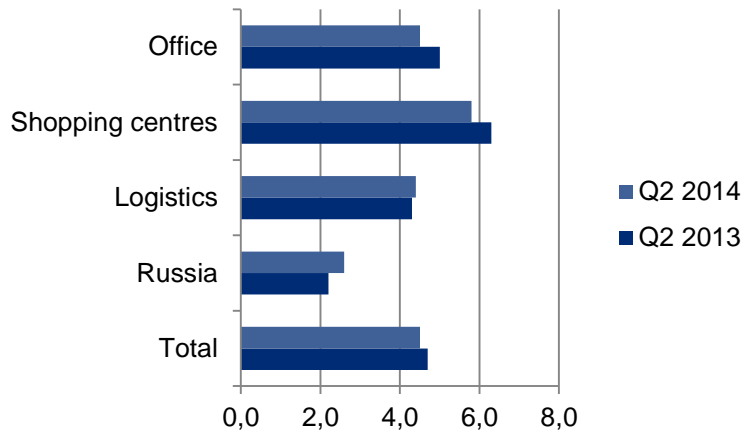


Lease agreement composition Q2 2014

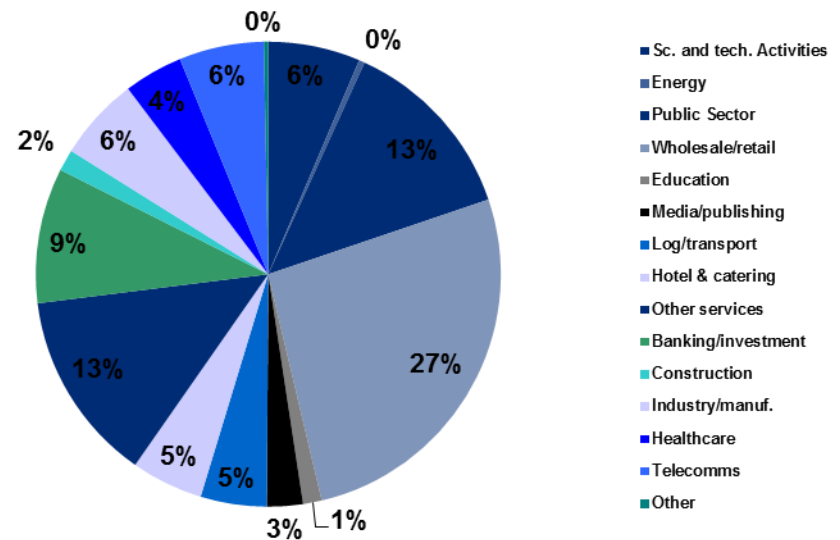
Lease maturity profile,
% of rental income



Average lease maturity



Tenant breakdown by sector¹



Note 1: Based on rental income

Lease agreements in Q2 2014

	Pcs	M²	€/m²/month (avg)*
New agreements that came into force during the period	91	20 934	13.20
Agreements that ended during the period	109	38 240	13.50
Agreements that were extended during the period	40	25 757	17.70

*) 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€	2010	2011	2012	2013	H1 2014
Property development investments	30.5	58.5	47.5	14.0	8.5
Maintenance investments	29.9	50.5	28.4	22.6	16.2
Acquisitions	0.8	150.4	53.1	3.1	-
Disposals	57.0	14.1	61.8	33.1	7.0

Prospects and financial targets

Prospects

- Sponda expects the economic occupancy rate of the Group's properties in 2014 to remain largely unchanged from 2013. This estimate is based on the slow positive development of the Finnish economy as well as current information on expiring leases.
- Earlier Sponda estimated that the comparable net operating income in 2014 is expected to be at the same level as in 2013. After the planned transaction, Sponda estimates that the NOI will be EUR 175-183 million at the end of 2014 (including NOI from the properties to be sold from the time they are held). This view is mainly based on sale of the 12 logistics properties and sale of the share of the funds business being closed at the end of September 2014.

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 planning:
 - To sell the logistics portfolio;
 - To sell the Russian portfolio;
 - To exit the Property Funds business;
 - To sell the properties in Turku; and
 - To invest in prime properties in Helsinki and Tampere.
- In April 2014, Sponda announced signing of a deal whereby Sponda is planning to sell 12 logistics properties and property funds' business for EUR 216.7 million and EUR 77.4 million respectively.

Strategy

- Time frame for the possible disposals is 3 to 5 years to achieve the best possible result.
- Capital received from the planned disposals will be re-invested in Helsinki and Tampere areas in office and shopping centre properties and property development projects.
- The possible acquisitions will be made if and when suitable properties are found.

Largest Shareholders 30 June 2014

	Major shareholders	No. of shares	Holding %
1.	Oy PALSKE Ab	42,163,745	14.89
2.	Varma Mutual Pension Insurance Company	29,083,070	10.27
3.	HC LPN Holding Oy Ab	28,484,310	10.06
4.	The State Pension Fund	2,800,000	0.99
5.	Folketrygdfondet	2,050,733	0.72
6.	Norvestia plc	728,517	0.26
7.	Livränteanstalten Hereditas	540,000	0.19
8.	Odin Eiendom	528,459	0.19
9.	Bnp Arbitrage	522,088	0.18
10.	ABN Amro Funds	520,391	0.18
	Nominee-registered shareholders 51% of the total		

Environmental responsibility 2014

Target	Result
Energy consumption declines in properties located in Finland (energy consumption in total).	
Comparable water consumption decreases in properties in Finland.	
Recycling of waste stays at the level of 87% (as was in 2013) of all waste.	
Environmental partnership program expanded from last year to 22 (in 2013, Sponda had 20 partners).	
Environmental certificates obtained for possible new properties and for all major maintenance investments.	

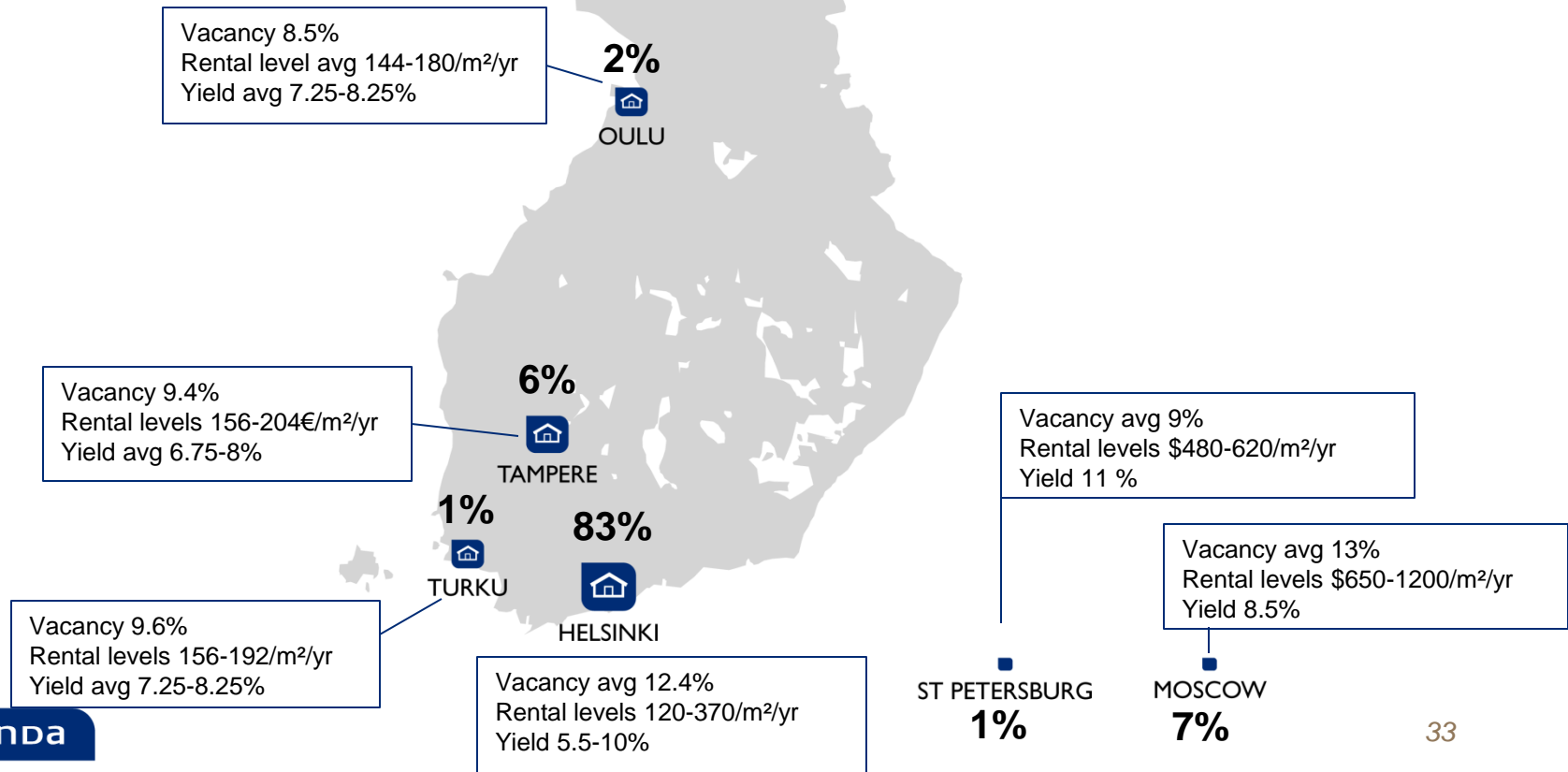


Overview of the current reporting segments

	Fair value ¹	Yield requirement ²	Net initial yield ³	% of portfolio ⁴
Office	1 766.3 M€	6.4 %	5.7 %	53%
Shopping Centres	720.3 M€	5.8 %	4.7 %	23%
Logistics	425.1 M€	8.3 %	5.3 %	13%
Property Development	114.8 M€	n/m	n/m	3%
Russia	242.5 M€	9.6 %	7.6 %	8%
Real Estate Funds	560 M€ (AUM)	n/m	n/m	n/m

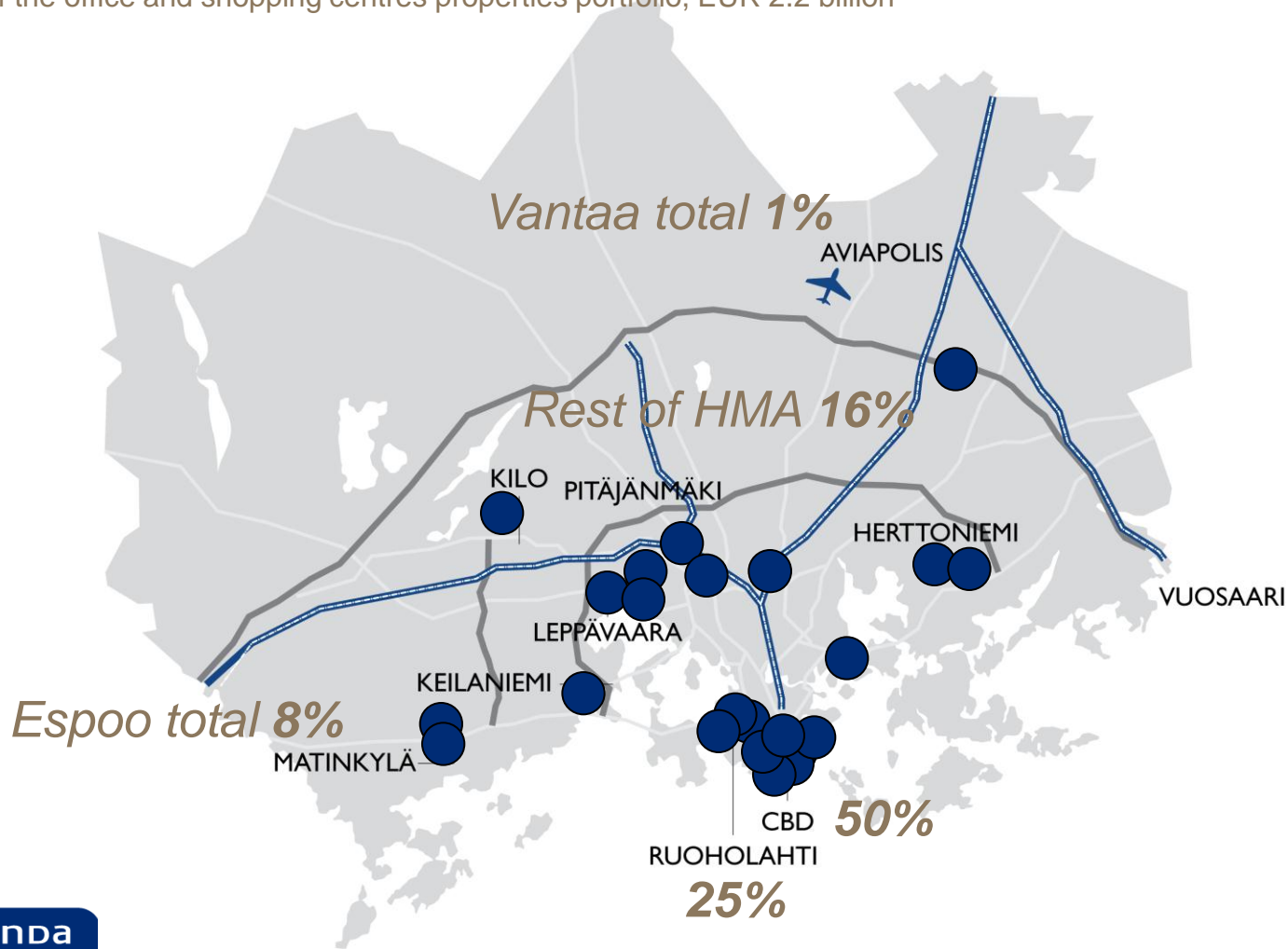
Office market statistics and Sponda's holdings

Source: Catella Property, Sponda



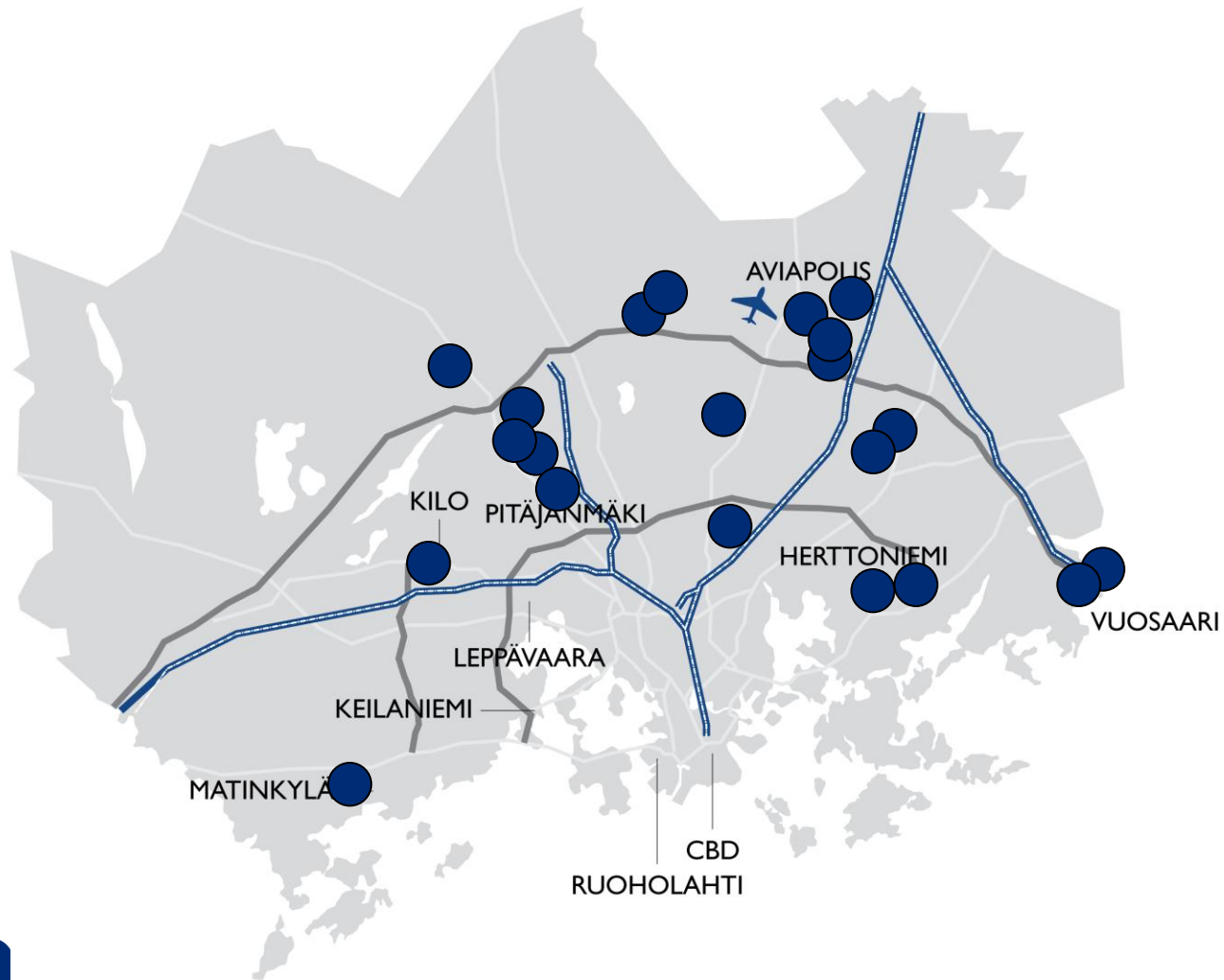
Sponda's office and shopping centre properties, HMA

Total of the office and shopping centres properties portfolio, EUR 2.2 billion



Sponda's logistics properties

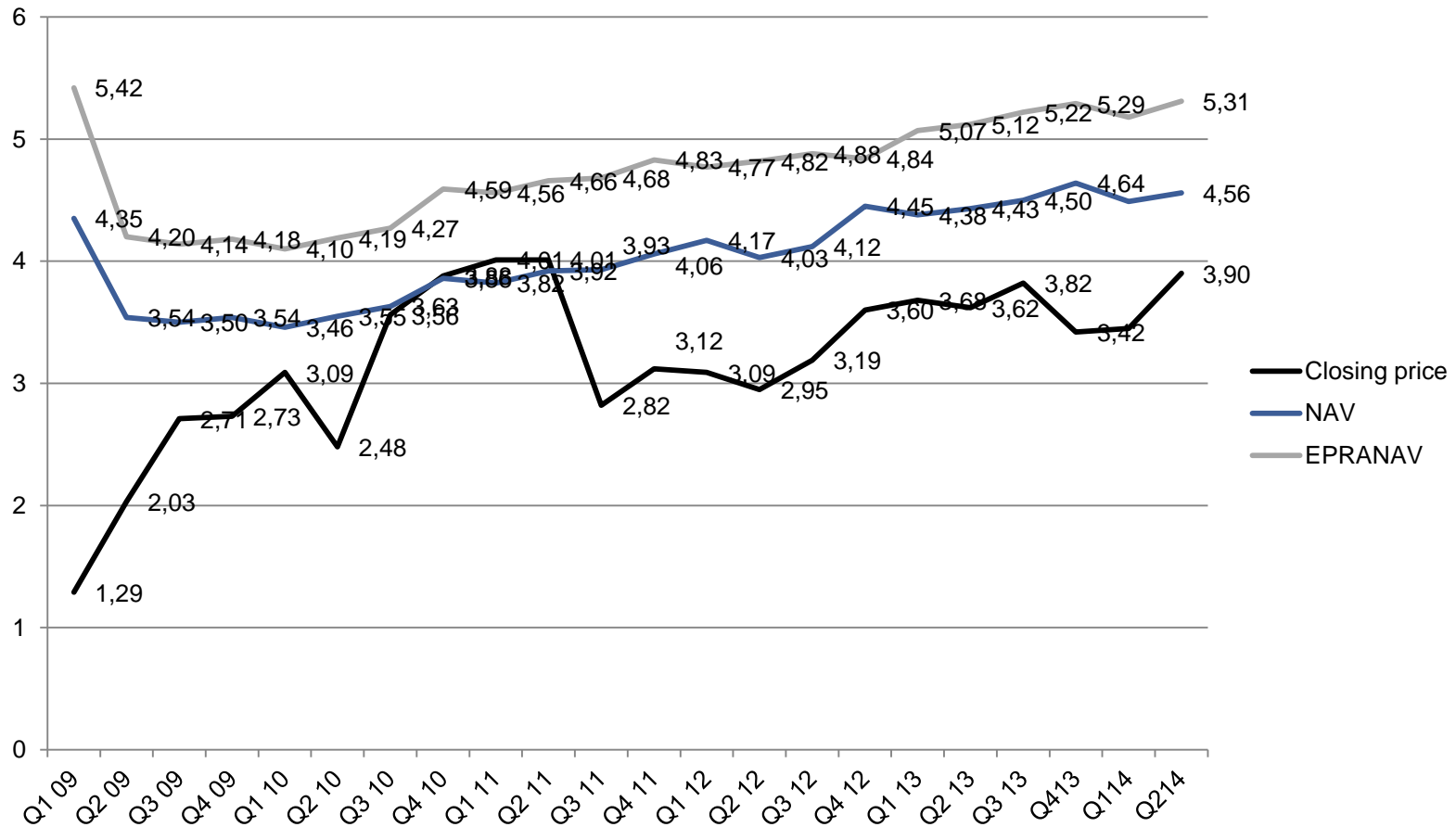
Total of 13% of the Investment Properties portfolio



Balance sheet

M€	30.6.2014	30.6.2013	31.12.2013
ASSETS			
Investment properties	3,052.3	3,256.8	3,253.3
Other non-current assets	81.5	165.4	158.1
Fixed assets & other non-current assets, total	3,133.8	3,422.2	3,411.4
Current assets, total	37.2	46.7	60.3
Assets, total	3,465.1	3,478.6	3,471.7
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity, total	1,387.4	1,348.9	1,409.3
Non-current liabilities, total	1,610.4	1,620.7	1,714.8
Current liabilities, total	466.7	509.0	347.6
Shareholders' equity and liabilities, total	3,465.1	3,478.6	3,471.7

NAV/share and EPRA NAV/share



EPRA NAV calculation

5.31 €/share

