



# *Sponda Q3 2013 results*

*1 November 2013*

**SPONDA**



# *Performance Highlights and Our Priorities*

*Kari Inkinen*

**SPONDA**

# Sponda's Q3 in brief

- Cash earnings are developing strongly.
- Operating environment is challenging.
- New strategy will enable Sponda to focus on core areas.



# Sponda Q3 2013: Performance highlights

	<b>7-9/13</b>	Change %	7-9/12	<b>1-9/13</b>	Change %	1-9/12	1-12/12
Total revenue, M€	<b>65.7</b>	(0.5)	66.0	<b>198.9</b>	0.4	198.2	264.6
Net Operating Income, M€	<b>49.5</b>	(1.4)	50.2	<b>143.5</b>	(0.9)	144.8	192.2
Operating profit, M€	<b>44.1</b>	(8.3)	48.1	<b>123.5</b>	(12.4)	141.0	210.5
Cash flow from operations/share, €	<b>0.11</b>	10.0	0.10	<b>0.30</b>	7.1	0.28	0.40
Earnings/share, €	<b>0.07</b>	(12.5)	0.08	<b>0.19</b>	(17.4)	0.23	0.37
NAV/share, €				<b>4.50</b>	4.9	4.29	4.45
EPRA NAV/share, €				<b>5.22</b>	7.6	4.85	5.12
Economic occupancy rate, %				<b>88.0</b>	-	88.0	88.1

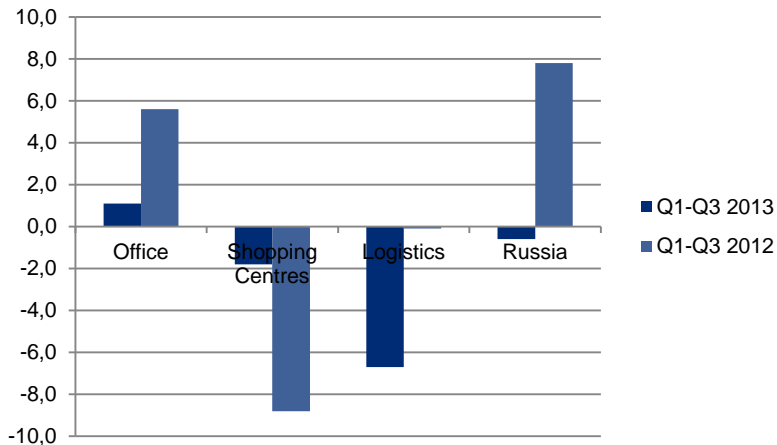
# Key issues in Q3 2013

- Cash flows up, occupancy slightly down.
  - Cash flow from operations was up by 7%: 0.30 (0.28 ) €.
  - Occupancy rate 88.0% (Q2/2013: 88.3%, Q3/2012: 88.0%).
  - NAV per share 4.50 (4.29) €.
  - Like-for-like rental development was positive in Office Properties (1.1%).
  - Like-for-like was negative in Shopping Centres, Logistics Properties and in Russia (-1.8%, -6.7% and -0.6% respectively).

# Like-for-like development in Q3

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.

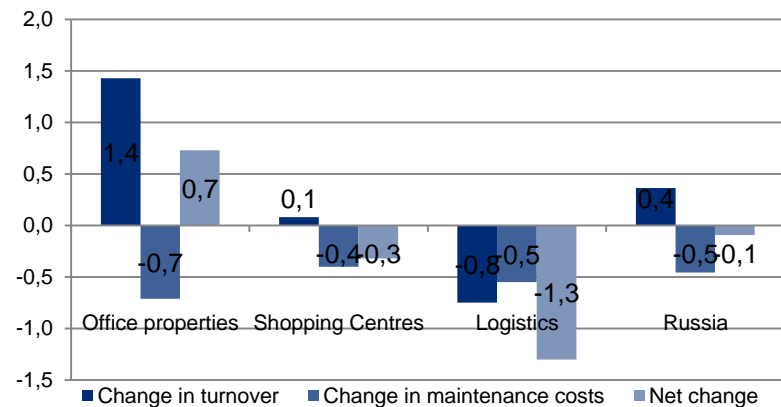
Like-for-like net rental growth, %



- L-f-l development as a percentage is negative apart from office properties.

- However, the only segment where negative growth can also be seen in turnover, is logistics.

Like-for-like net rental growth, M€  
Q1-Q3 2013





# Key issues in Q3 2013

- Two office properties (Business Center NRC and Inform Future) were sold in July in St Petersburg for EUR 9.9 million.
- Hartwall Capital Oy Ab notified that, as from 27 September 2013, Hartwall Capital Oy Ab's holding in shares of Sponda Plc is 10.06% (previously 9.89%).

# Key issues after Q3 2013

- An unsecured bond for EUR 150 million was issued in October.
- The five-year bond carries fixed annual coupon at the rate of 3.375%.
- The bond offering was significantly oversubscribed.
  - The bond was listed on the NASDAQ OMX Helsinki.
- The proceeds from the bond offering was used to repay existing debt.





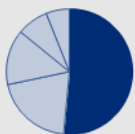
# Segment performance



## Office

Occupancy rate improved to 89.6 % (Q3 2012 : 89.3%).

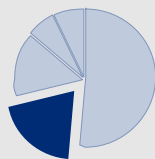
Like-for-like rents were up by 1.1%.



## Shopping Centres

Occupancy rate was 90.8% (Q3 2012: 93.1%).

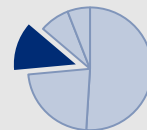
Like-for-like rents were down, -1.8%.



## Logistics

Occupancy rate stayed at 75.6% (Q3 2012: 75.6%).

Like-for-like rents were down, -6.7%.



## Russia

Occupancy was 96.1% (Q3 2012: 93.5%).

Like-for-like rents were down by 0.6% due to letting in Ducat II which is slightly lower than in Q3 2012.



# Our priorities

Occupancy rate development

Our target is to keep occupancy rate at the end-of-2012 level despite the challenging market conditions. At the end of Q3 2013, occupancy was 88.0% (year-end 88.1%).

Implementing our new strategy

We are preparing for the sale of single properties as well as property portfolios.

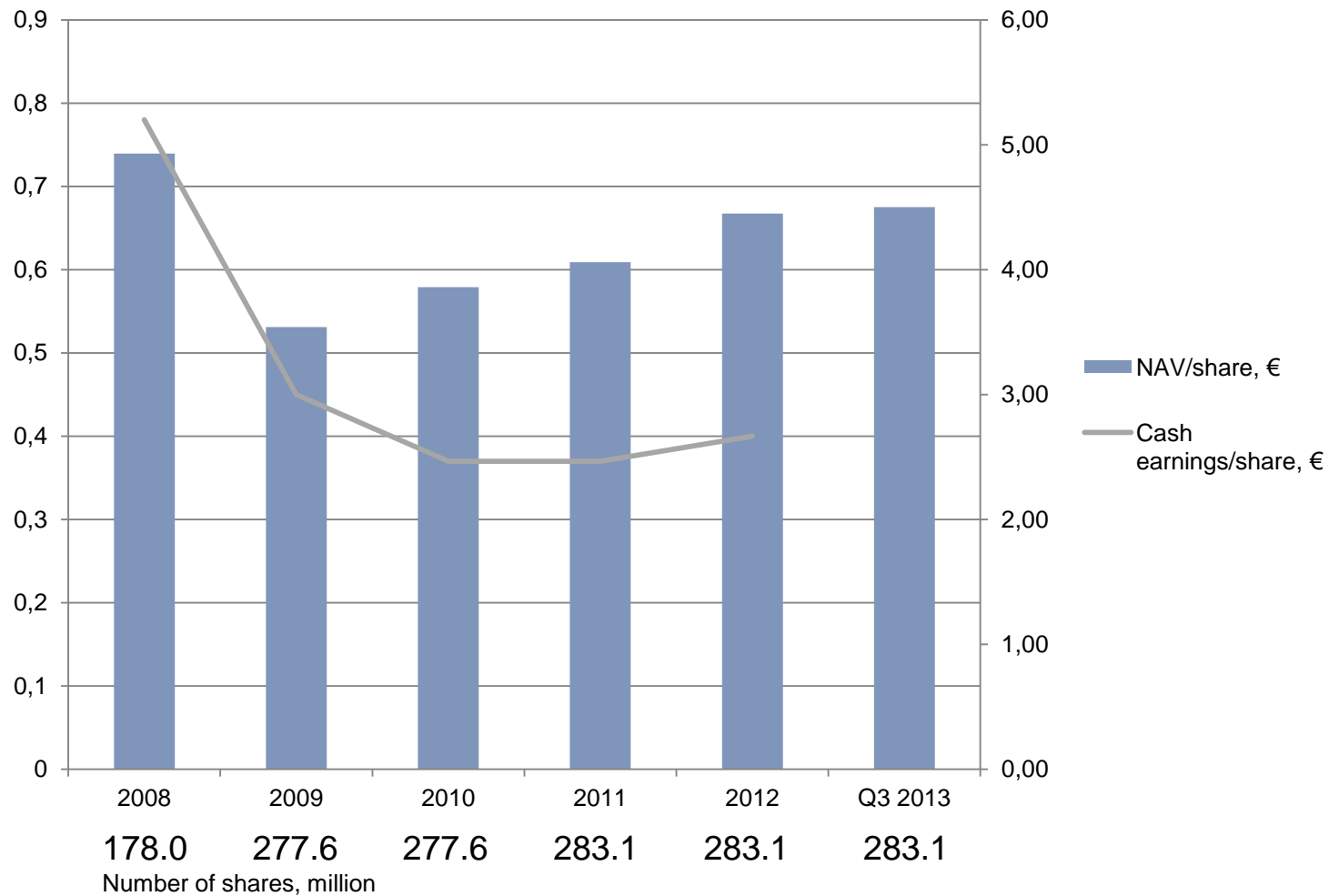
We will strengthen our balance sheet

Equity ratio is 39.4% (Q3 2012: 38%).

Increased focus in property development

Our target is to add value by starting new property development projects.

# Creating value





# *Strategy - revised on 3 September 2013*

# Overview of the current reporting segments

	Fair value <sup>1</sup>	Yield requirement <sup>2</sup>	Net initial yield <sup>3</sup>	% of portfolio <sup>4</sup>
Office	1 717.7 M€	6.5 %	6.1 %	52%
Shopping Centres	739.6 M€	5.7 %	6.0 %	23%
Logistics	410.0 M€	8.2 %	6.4 %	13%
Property Development	140.7 M€	n/m	n/m	4%
Russia	256.7 M€	9.6 %	8.7 %	8%
Real Estate Funds	580 M€ (AUM)	n/m	n/m	n/m

# 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.



# Strategy

- Time frame for the possible disposals is 3 to 5 years to achieve the best possible result.
- The possible acquisitions will be made if and when suitable properties are found.
- Russia
  - Possible disposals when market is favourable.
  - No new acquisitions.
- Property Funds
  - No new funds will be established.
  - Current funds have an exit between 2014 and 2019.
- 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.



# *Market Update*

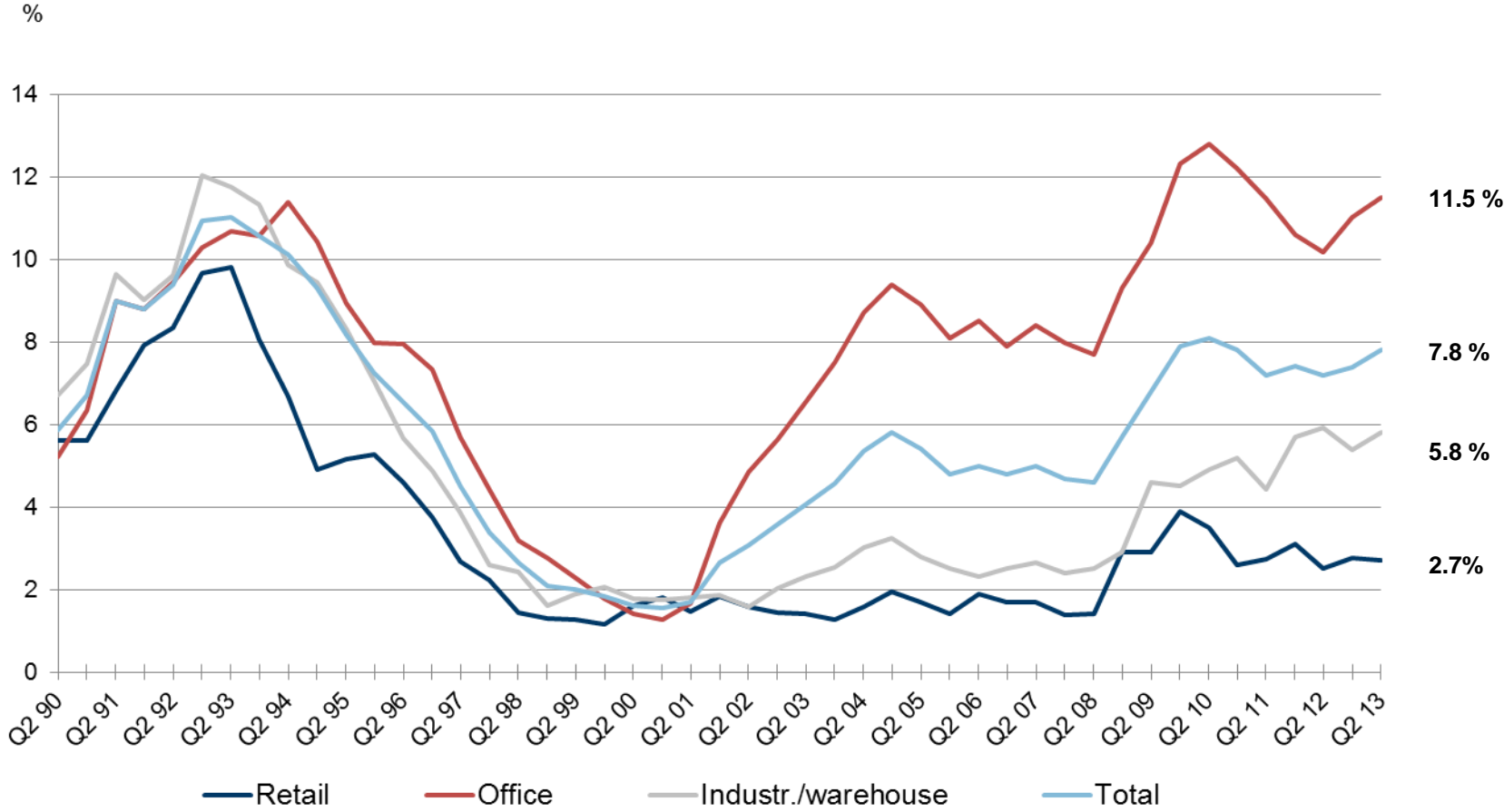
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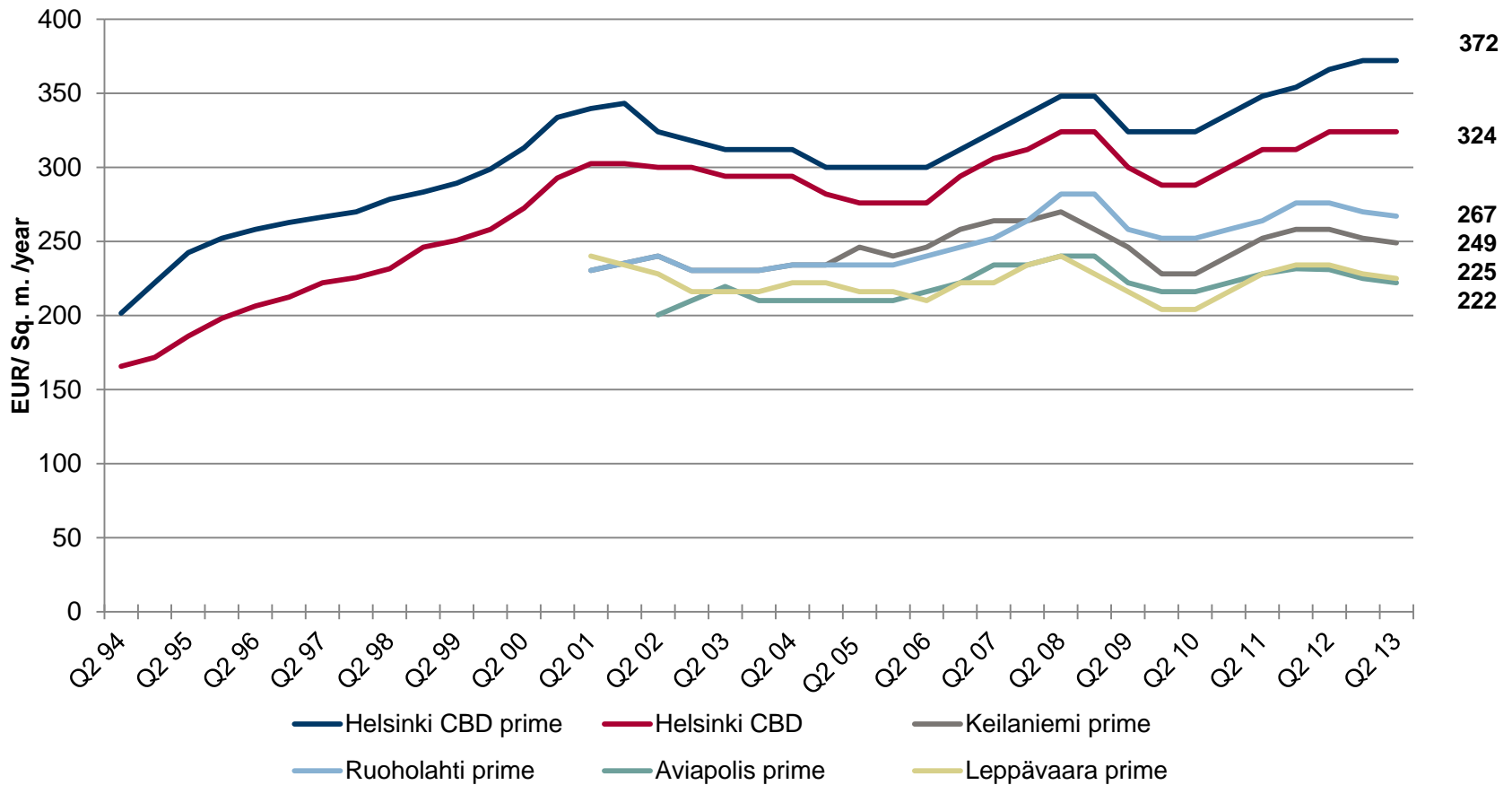
# Finnish property market

- The GDP growth estimate for 2013 has been adjusted to be -0.5%.
- The positive development in the economy will show with a lag in the property market.
- Transaction market is slow. During January-September the transaction volume was EUR 1.12 billion.
- Rent levels and vacancy are fairly stable in the Helsinki CBD and Ruoholahti areas. Secondary areas and smaller cities are more volatile.

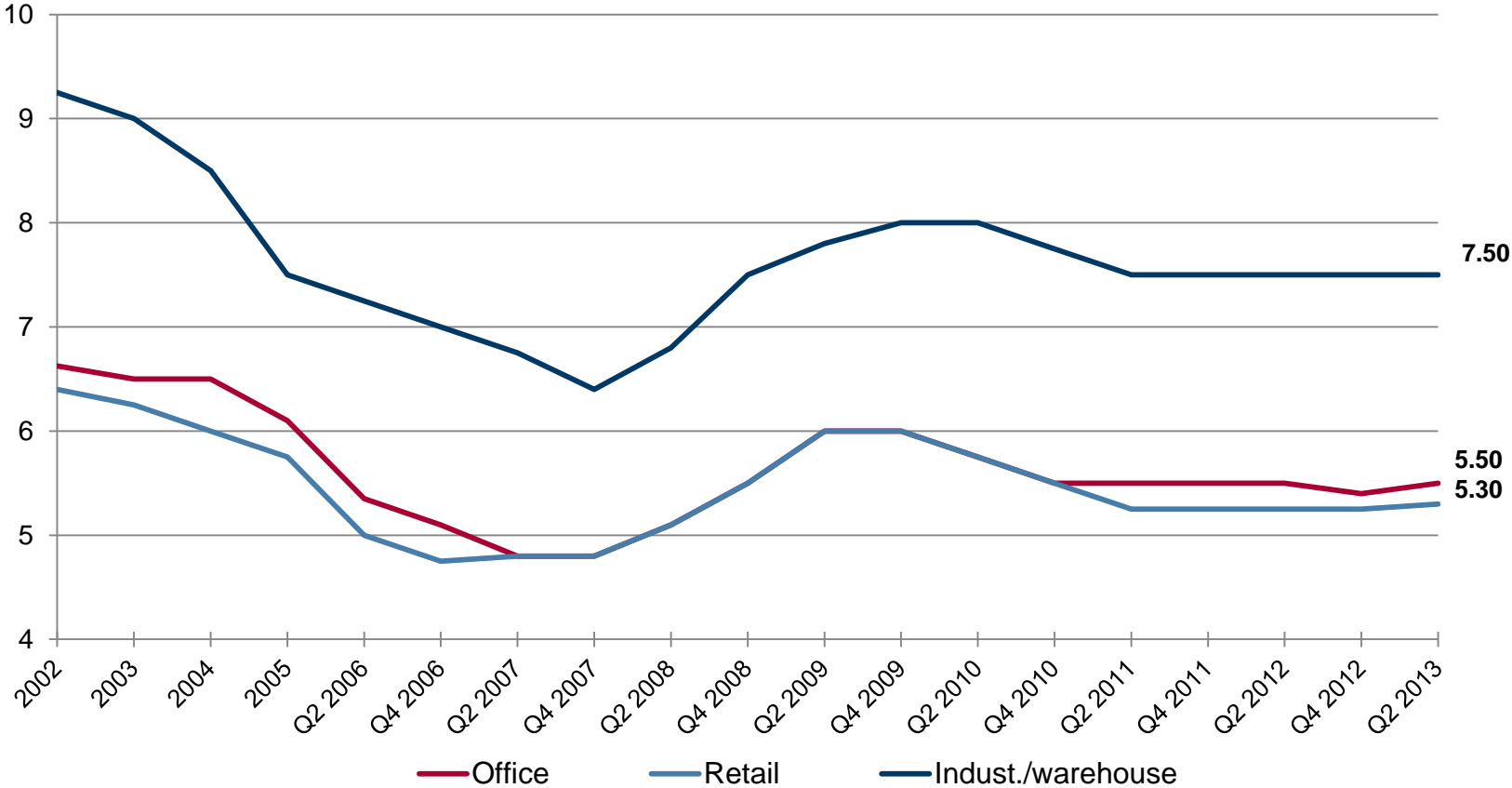
# Vacancy rate in HMA



# Rental levels of office premises



# Helsinki Prime Yields

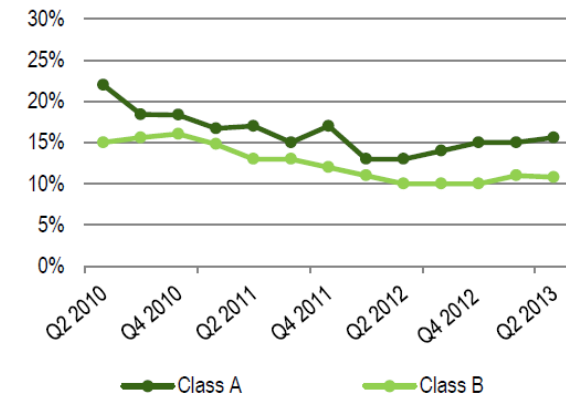




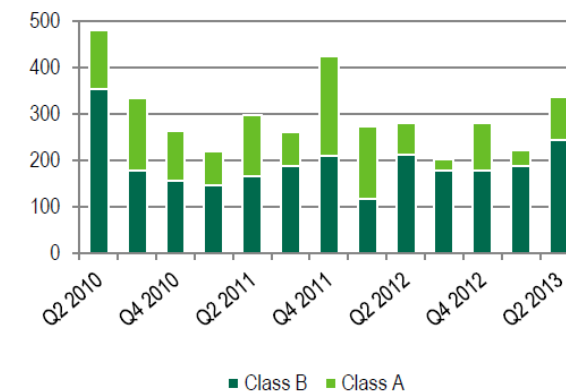
# Russian property market

- The GDP growth estimate for 2013 has been adjusted to be under 2%.
- Transaction market is active. First quarter volume was over EUR 4.8 billion.
- Vacancy rate in Moscow was stable at around 11%.
- The top rents for A-class offices in Moscow are stable at 1000 USD/m<sup>2</sup>/year.

Vacancy rates by Class



Take-up by class, 000 sq m





# Financials

Erik Hjelt

SPONDA

# Profit & loss statement

M€	7-9/2013	7-9/2012	1-9/2013	1-9/2012	1-12/2012
Total revenue	65.7	66.0	198.9	198.2	264.6
Expenses	(16.2)	(15.8)	(55.4)	(53.5)	(72.4)
<b>Net operating income</b>	<b>49.5</b>	<b>50.2</b>	<b>143.5</b>	<b>144.8</b>	<b>192.2</b>
Profit on sale of inv. properties	(0.2)	0.4	0.3	1.7	2.5
Valuation gain / loss	0.7	2.9	(1.5)	11.7	33.0
Profit on sale of trading properties	0.0	(0.3)	0.0	(0.7)	5.2
Valuation gain/loss from trading properties	0.0	0.0	0.0	0.0	0.0
SGA expenses	(5.0)	(5.0)	(17.2)	(16.5)	(22.7)
Other operating income/expenses	(1.0)	(0.1)	(1.5)	0.2	0.3
<b>Operating profit</b>	<b>44.1</b>	<b>48.1</b>	<b>123.5</b>	<b>141.0</b>	<b>210.5</b>
Financial income and expenses	(15.1)	(14.6)	(43.9)	(44.4)	(58.8)
<b>Profit before taxes</b>	<b>28.9</b>	<b>33.4</b>	<b>79.6</b>	<b>96.6</b>	<b>151.8</b>
Taxes from previous and current fin. years	(0.9)	(1.3)	(2.8)	(2.7)	(3.7)
Deferred taxes	(6.5)	(7.5)	(17.7)	(21.2)	(33.8)
<b>Profit for the period</b>	<b>21.6</b>	<b>24.7</b>	<b>59.1</b>	<b>72.7</b>	<b>114.2</b>

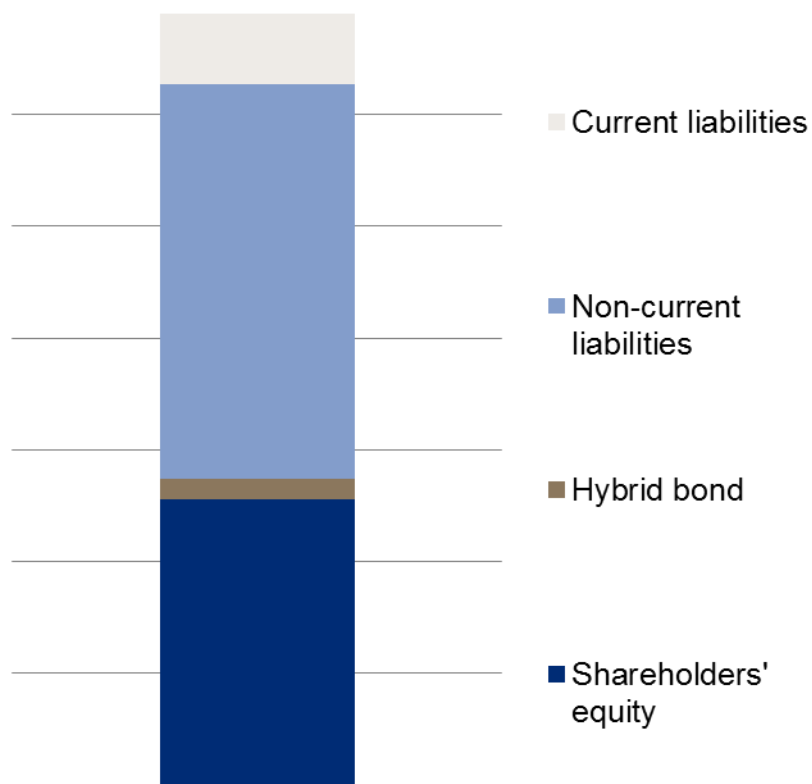
# Valuation gains/losses

M€	7-9/2013	7-9/2012	1-9/2013	1-9/2012	1-12/2012
Changes in yield requirements (Finland)	0.0	0.0	(5.7)	(1.7)	20.9
Changes in yield requirements (Russia)	0.0	0.0	0.0	0.0	6.5
Profit/loss from property development projects	0.0	0.4	2.2	0.1	(0.7)
Modernization investments	(5.2)	(5.2)	(14.8)	(17.0)	(28.5)
Change in market rents and maintenance costs (Finland)	6.3	6.1	16.2	20.8	26.4
Change in market rents and maintenance costs (Russia)	1.1	0.4	(0.9)	1.4	(0.1)
Change in exchange rates	(3.9)	(0.3)	(3.1)	2.4	0.4
<b>Investment properties, total</b>	<b>(1.7)</b>	<b>1.4</b>	<b>(6.0)</b>	<b>6.0</b>	<b>24.9</b>
Real estate funds	(1.2)	0.0	(3.7)	0.6	0.6
Realised gains/losses in re funds	3.6	1.5	8.1	5.0	7.5
<b>Group, total</b>	<b>0.7</b>	<b>2.9</b>	<b>(1.5)</b>	<b>11.7</b>	<b>33.0</b>

# Sponda's capital structure

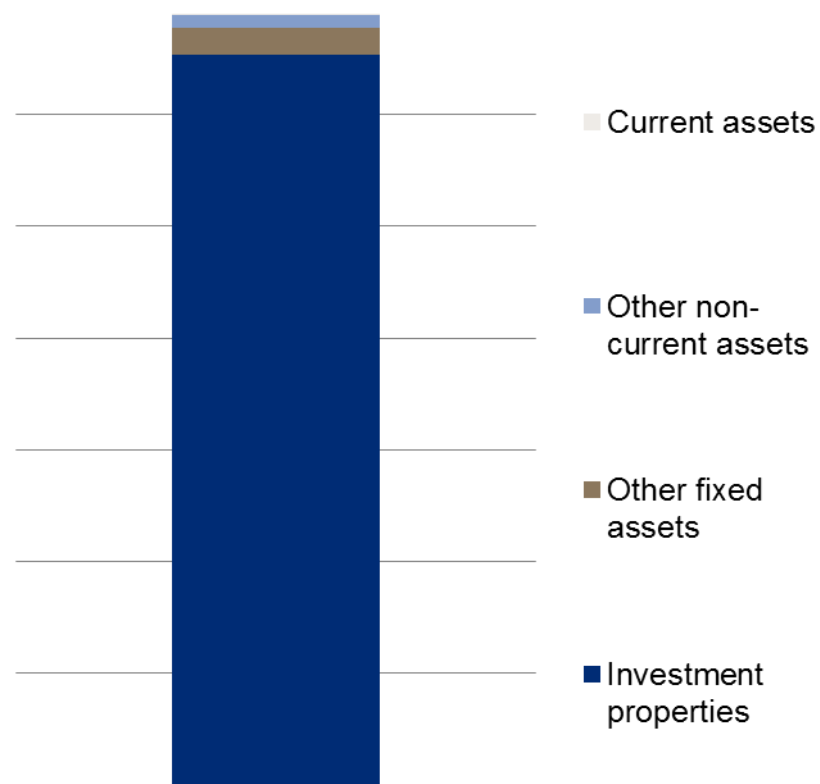
## Shareholders' equity and liabilities

Total EUR 3,491.9 million



## Assets

Total EUR 3,491.9 million



# Financing

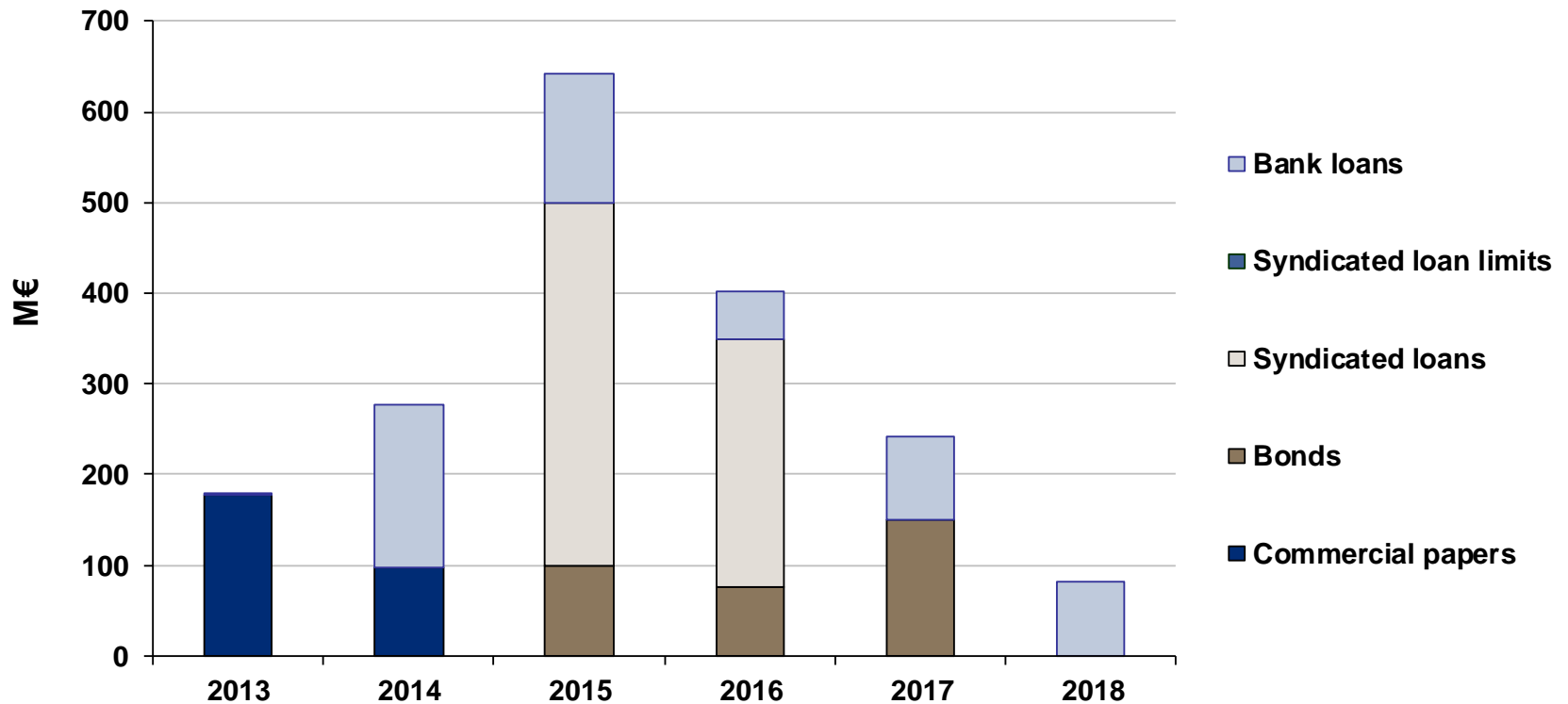
	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012
Equity ratio, %	<b>39</b>	39	41	40	38
Average interest rate, %	<b>3.1</b>	3.3	3.4	3.4	3.5
Hedging, %	<b>74</b>	68	70	72	76
Average loan maturity, yrs	<b>2.2</b>	2.1	2.4	2.7	2.8
Average fixed interest rate period, yrs	<b>1.9</b>	1.5	1.7	1.9	2.0
Interest cover ratio	<b>3.0x</b>	2.9x	2.9x	2.8x	2.7x
Loan to Value, %	<b>54</b>	54	52	52	54

- Long-term equity ratio target 40 %.
- Covenants at equity ratio (28 %) and ICR (1.75 x).
- The planned change in corporate tax (from 24.5% to 20%) from the beginning of 2014 will have a positive impact on earnings/share and equity ratio.



# Loan maturities 30 September 2013

- Interest-bearing debt EUR 1,815.6 million
- Unused financing limits EUR 430 million





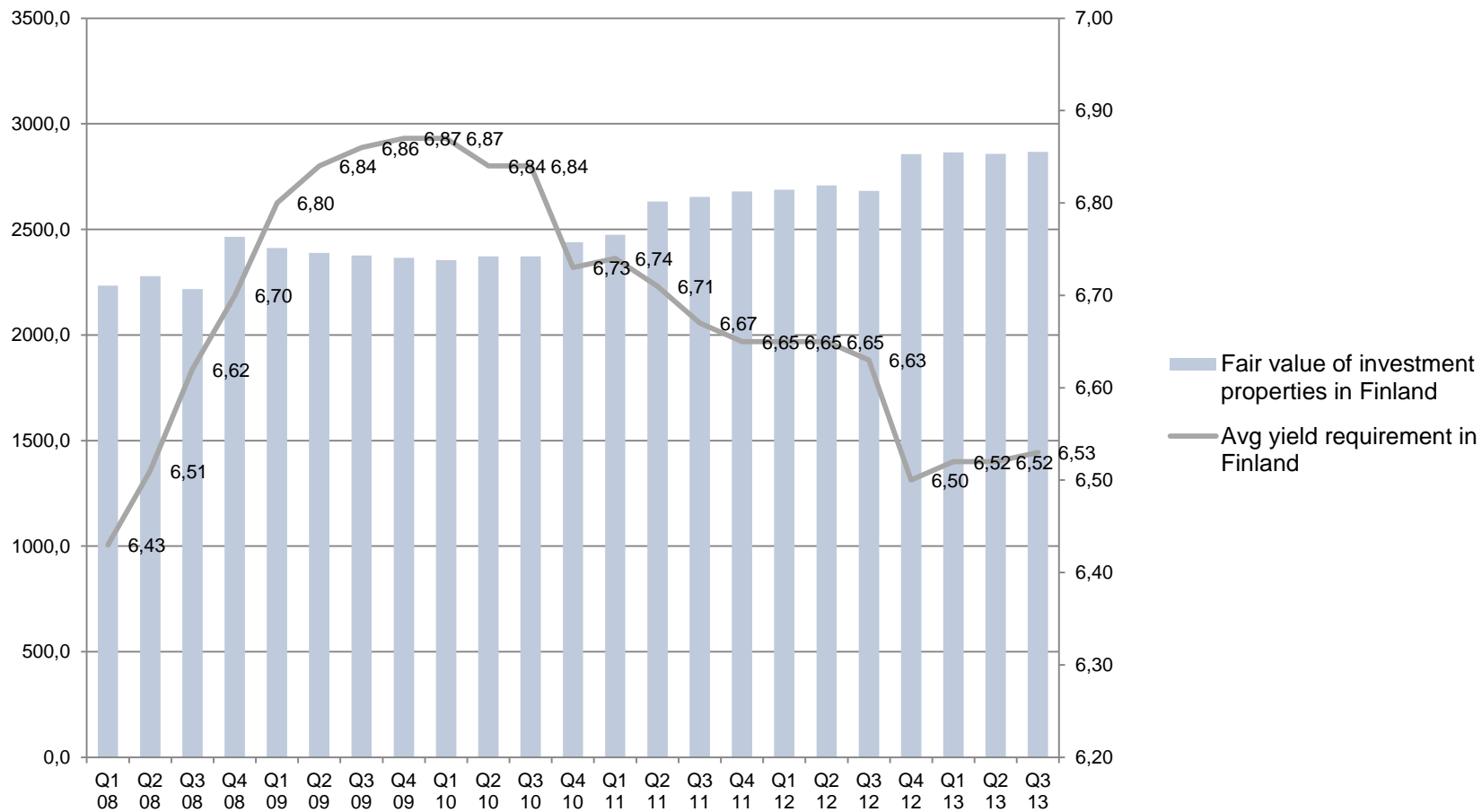
# *Business Update*

*Kari Inkinen*

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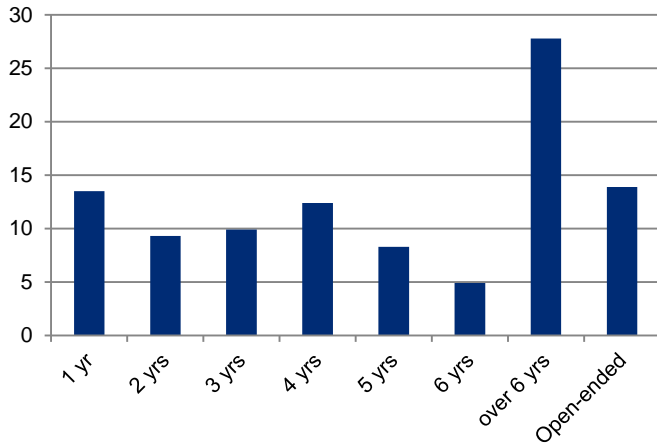
# Fair value and valuation yield

(Includes only investment properties in Finland)

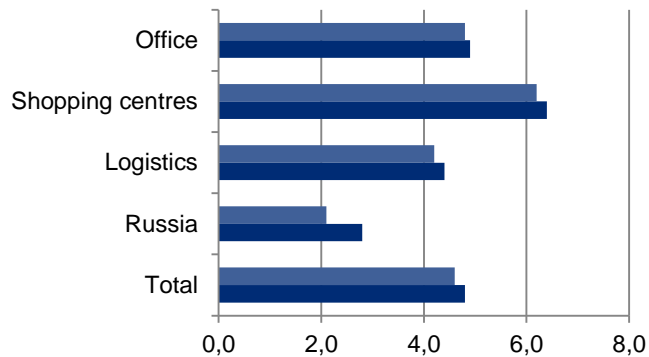


# Lease agreement composition Q3 2013

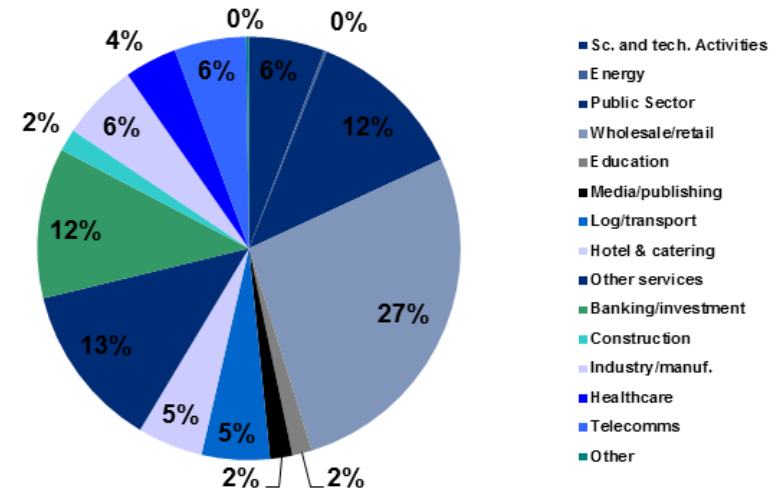
Lease maturity profile,  
% of rental income



Average lease maturity



Tenant breakdown by sector<sup>1</sup>



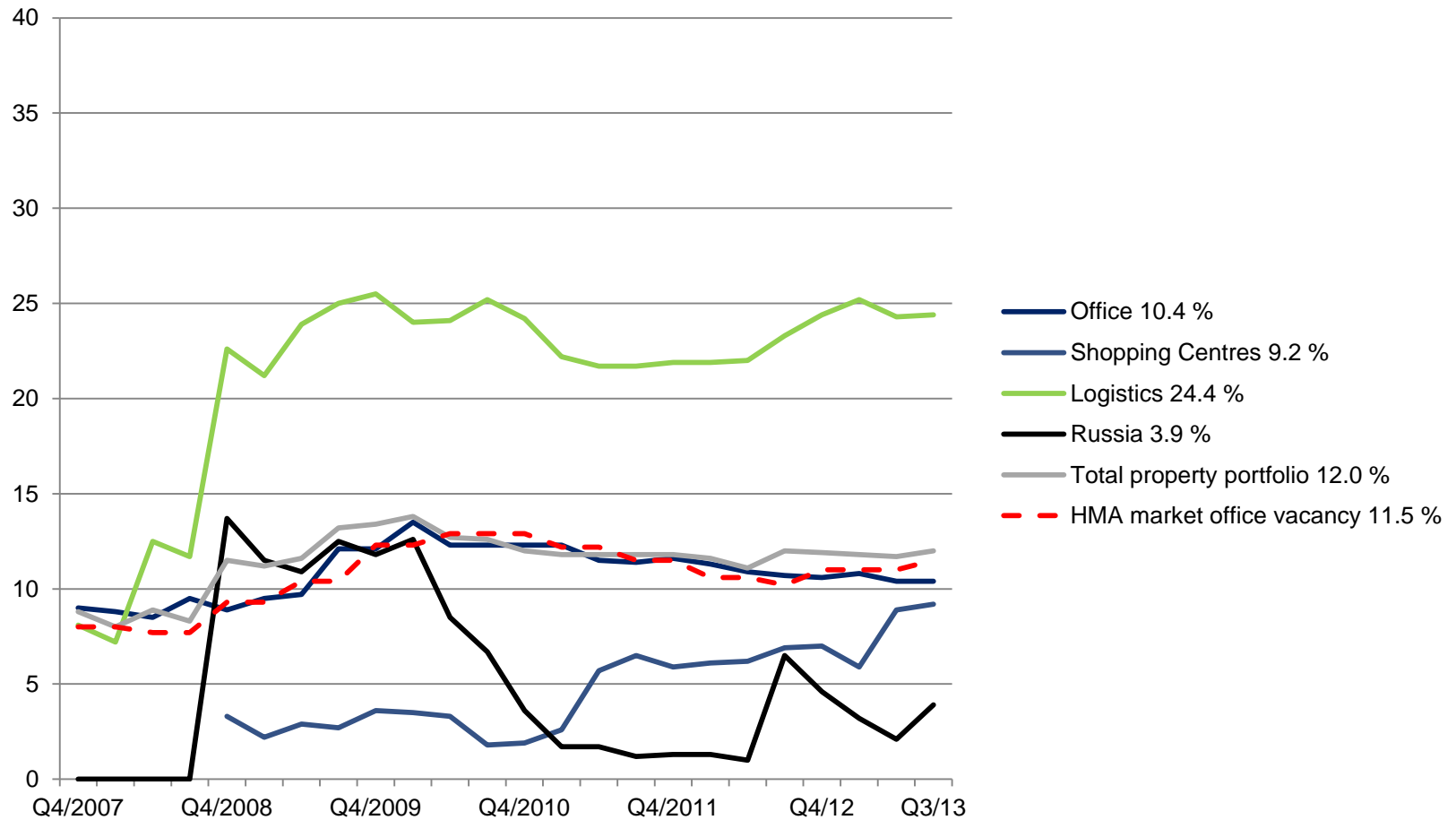
# Lease agreements in Q3 2013

	Pcs	M <sup>2</sup>	€/m <sup>2</sup> /month (avg)*
Agreements that came into force during the period	73	19 267	22.00
Agreements that ended during the period	110	38 090	18.40
Agreements that were extended during the period	40	17 407	12.20

\*) 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 29 % of rental income.

# Economic vacancy rate 2007 – Q3 2013





# 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	1-9/ 2013
Property development investments	30.5	58.5	47.5	9.4
Maintenance investments	29.9	50.5	28.4	14.7
Acquisitions	0.8	150.4	53.1	3.1
Disposals	57.0	14.1	61.8	18.6

# Prospects and financial targets

## Prospects

- Sponda is adjusting its estimate of the development of the vacancy rate in 2013. Sponda now estimates that the vacancy rate for the Group as a whole will remain unchanged or increase slightly in 2013 compared to the level at the end of 2012. The change is based on weaker-than-expected development in the leasing of logistics premises in late 2013 due to the prolonged recession of the Finnish economy.
- Comparable net operating income (excluding disposals) in 2013 is expected to increase slightly from 2012. Reasons for this expected increase are rising rent levels in Helsinki's central business district and the completion of the company's property development projects.

## 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.



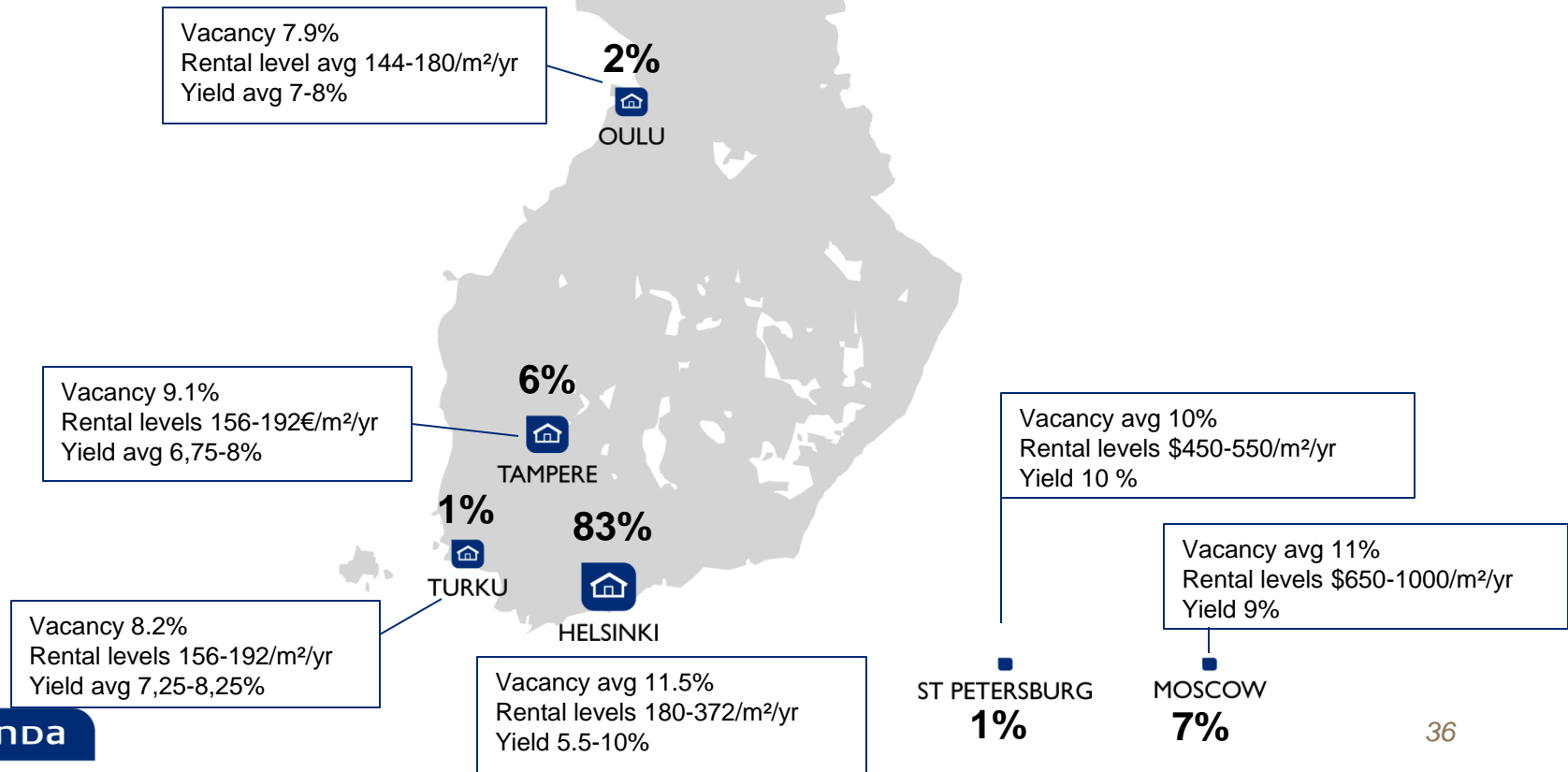
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*European Architecture Students  
Assembly "Wastelands" in Helsinki  
2012*

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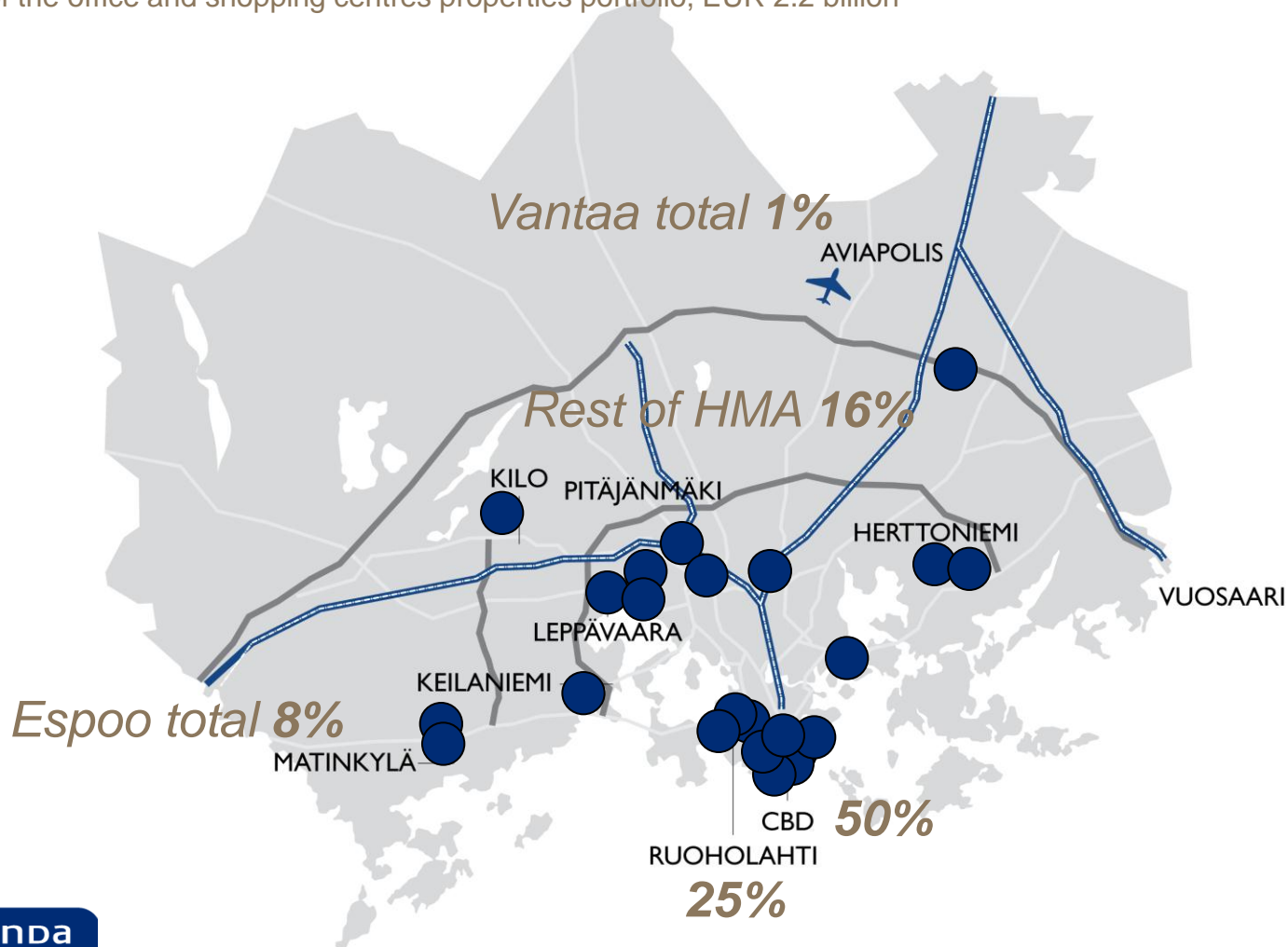
# Office market statistics and Sponda's holdings

Source: Catella Property, Sponda



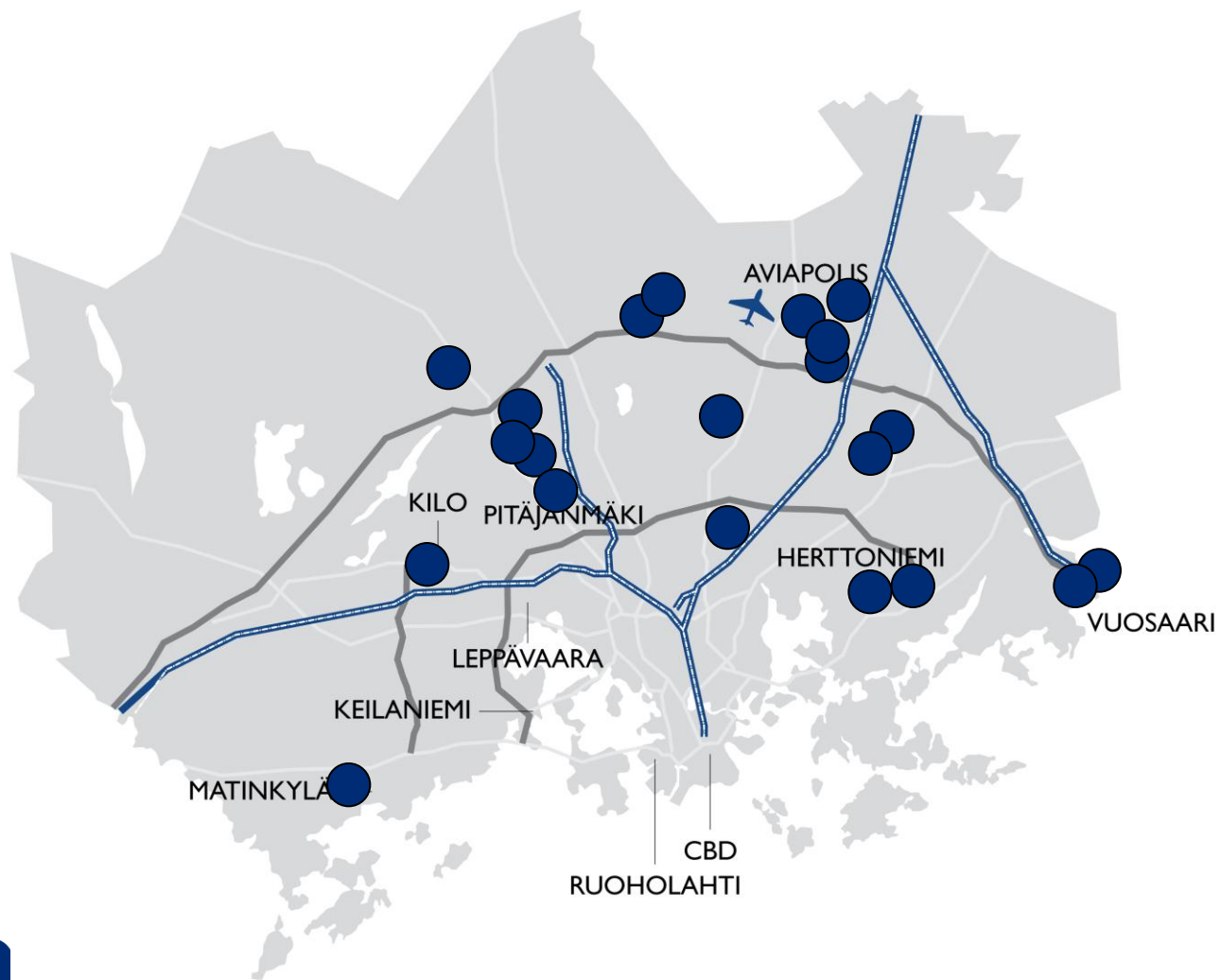
# Sponda's office and shopping centre properties, HMA

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



# Strategy 2005-2012

2005	2006	2007	2008	2009	2010	2011	2012
<ul style="list-style-type: none"> <li>• Strategy revised: Profitable growth strategy and expansion plans to Russia and the Baltic Countries</li> </ul>	<ul style="list-style-type: none"> <li>• First property fund established: First TopLux Co.</li> <li>• First investment to Russia made, a logistics property in St Petersburg.</li> </ul>	<ul style="list-style-type: none"> <li>• Rights offering for EUR 250 million completed to partly finance Kapiteeli acquisition.</li> <li>• Sale of asset portfolio, in total EUR 400 million</li> </ul>	<ul style="list-style-type: none"> <li>• Along with the economic downturn, Sponda started to sell properties in order to strengthen its balance sheet.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy revised: Baltic Countries no longer as a strategic inv. target.</li> <li>• Strategy adjusted : modest growth financed by property disposals.</li> </ul>	<ul style="list-style-type: none"> <li>• Sponda sold its properties for EUR 57 million in total.</li> <li>• In total, EUR 800 million was refinanced during the year.</li> </ul>	<ul style="list-style-type: none"> <li>• Sponda bought Fennia Quarter for EUR 122 million.</li> <li>• Re-financing was completed until 2014.</li> </ul>	<ul style="list-style-type: none"> <li>• Sponda bought an office building in the centre of Moscow for USD 47 million.</li> </ul>
Organisation streamlined to four business units: Office and Retail, Logistics, Property Development and New Business areas.	<ul style="list-style-type: none"> <li>• Sponda signed agreement with Helsinki Harbour to build logistics centre in the new Vuosaari Harbour.</li> </ul>	<ul style="list-style-type: none"> <li>• A number of property development projects were started in Helsinki Metropolitan Area.</li> </ul>	<ul style="list-style-type: none"> <li>• At the end of the year, all property development projects were completed on schedule, apart from the City-Center project.</li> </ul>	<ul style="list-style-type: none"> <li>• Rights offering for EUR 200 million completed to strengthen balance sheet..</li> </ul>	<ul style="list-style-type: none"> <li>• Property development was accelerated after a couple of slower years.</li> </ul>	<ul style="list-style-type: none"> <li>• Building of new headquarters for publishing house Talentum started.</li> <li>• 2nd phase of Citycenter completed.</li> </ul>	<ul style="list-style-type: none"> <li>• Sponda issued a new hybrid bond for EUR 95 million to replace the old, EUR 130 million hybrid.</li> </ul>
	<ul style="list-style-type: none"> <li>• Sponda bought property investment company Kapiteeli Plc for EUR 950 million.</li> </ul>			<ul style="list-style-type: none"> <li>• Property development activities increased at the end of the year.</li> </ul>			

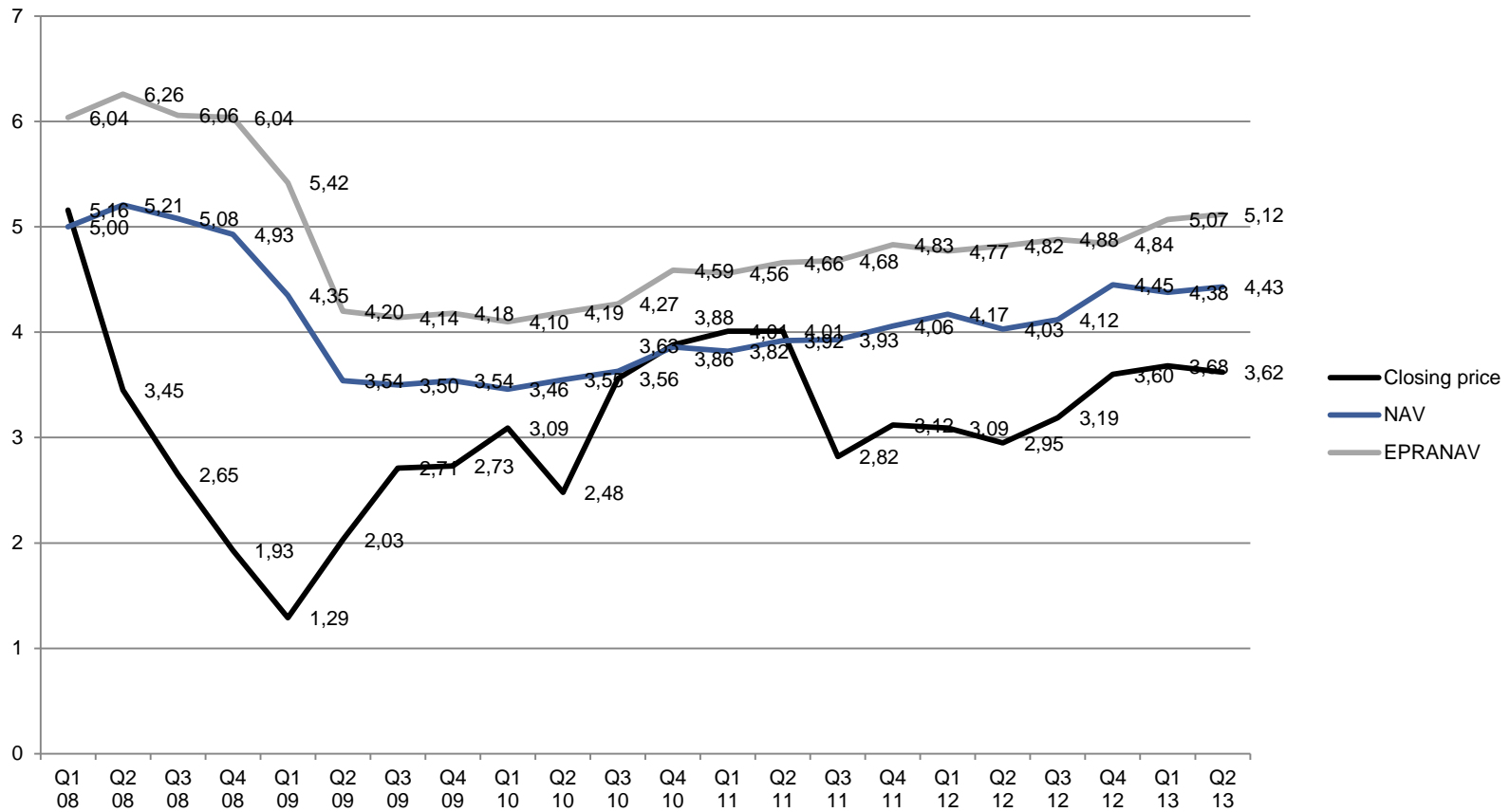


# Balance sheet

M€	30.9.2013	30.9.2012	31.12.2012	1.1.2012
<b>ASSETS</b>				
Non-current assets	<b>3,442.9</b>	3,393.6	3,435.0	3,311.1
Current assets	<b>49.0</b>	53.3	86.7	76.1
<b>Assets, total</b>	<b>3,491.9</b>	3,446.9	3,521.8	3,387.2
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity total	<b>1,370.0</b>	1,349.0	1,447.7	1,334.4
Non-current liabilities				
Interest-bearing debt	<b>1,516.3</b>	1,465.7	1,460.3	1,380.8
Other liabilities	<b>27.4</b>	45.8	38.1	40.3
Deferred tax liabilities	<b>220.0</b>	194.3	205.9	181.8
Non-current liabilities, total	<b>1,763.8</b>	1,705.7	1,704.4	1,602.9
Current liabilities, total	<b>358.1</b>	392.1	369.7	449.9
<b>Liabilities, total</b>	<b>2,121.9</b>	2,097.9	2,074.1	2,052.8
<b>Shareholders' equity and liabilities</b>	<b>3,491.9</b>	3,446.9	3,521.8	3,387.2

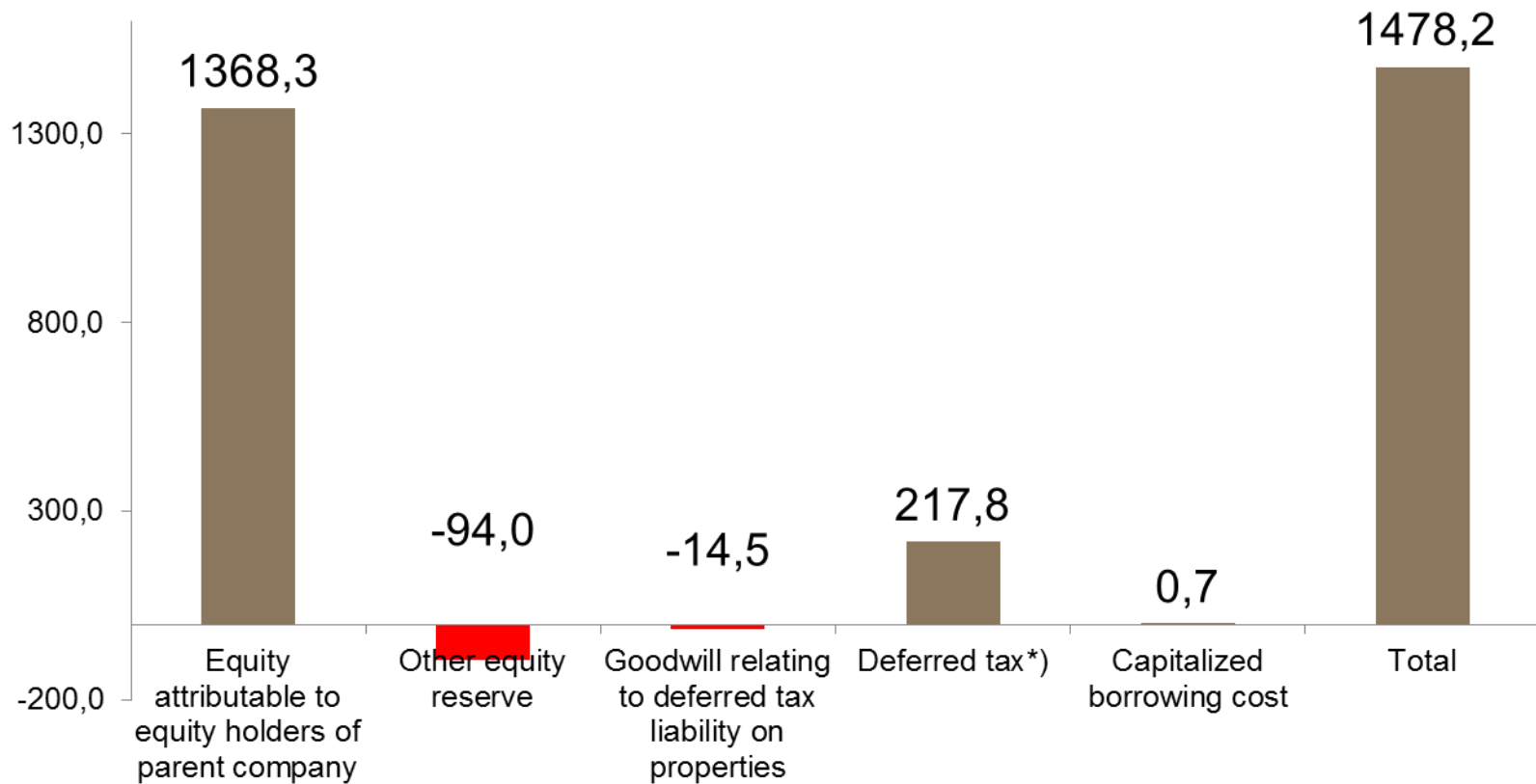


# NAV/share and EPRA NAV/share



# EPRA NAV calculation

5.22 €/share



# Environmental responsibility 2013

Target	Result
Energy consumption declines in properties located in Finland (electricity, heating, cooling, water)	
Recycling of waste more than 86% of all waste	
Energy consumption declines in three properties in Russia	
Environmental partnership program expanded from last year (16 partners)	
Environmental certificates obtained for possible new properties.	
Energy consumption in Sponda's own office will further decrease from 2012	
Reduction of the amount of waste in Sponda's own office	

