

# *Financial Results Q1 2011*

## *6 May 2011*

**Conference call 11.00 am EET**

**Dial-in number:**

**+44-20-7806 1956**

**Webcast available at:**

***<http://investors.sponda.fi/performance/results> and presentations***

**SPONDA**

# Agenda

- **Q1 2011 in Brief – Kari Inkinen**
- Market Update – Kari Inkinen
- Q1 2011 in Numbers – Erik Hjelt
- Business Update – Kari Inkinen
- Key events after the reporting period – Kari Inkinen

# Sponda Q1 2011: Performance highlights

	1-3/11	1-3/10	1-12/10
Total revenue, M€*	<b>58.6</b>	57.6	<b>232.1</b>
Net Operating Income, M€*	<b>39.6</b>	40.4	<b>168.7</b>
Operating profit, M€	<b>37.4</b>	36.3	<b>216.2</b>
Cash flow from operations/share, €	<b>0.07</b>	0.08	<b>0.37</b>
Earnings/share, €	<b>0.06</b>	0.04	<b>0.40</b>
NAV/share, €	<b>3.82</b>	3.46	<b>3.86</b>
EPRA NAV/share, €	<b>4.56</b>	4.10	<b>4.59</b>
Economic occupancy rate, %	<b>88.2</b>	86.2	<b>88.0</b>

*\*) The company's share of real estate fund profits in the income statement are presented on the change in fair value line instead of under total revenue which has altered the company's total revenue. The share of the profit in 1-3/2011 was EUR 1.4 million. The figures for comparison have been adjusted accordingly.*

# Back to growth


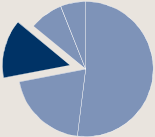

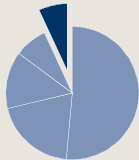
## - streamlining of portfolio continues

- Sponda sold its 45.1 % share in Ovenia Oy.
  - Shares were purchased by funds managed by Vaaka Partners Oy and by current management.
  - Sponda will book a profit of EUR 7.8 million in Q2 2011.
- New property development projects were started at the beginning of the year.
- Refinancing continued with SEK 650 million bond and EUR 50 million credit limit.
- Sponda's concentration in Helsinki CBD strengthened with the purchase of Fennia Quarter from Suomi Mutual Life Assurance Company.
  - Sponda paid EUR 122 million, of which EUR 100 million in cash and part of the purchase price through an issue of 5.5 million new shares to Suomi Mutual.

# Fennia Quarter



# How has Sponda's portfolio performed in the market otherwise?

Office and Retail	Logistics	Shopping Centres	Russia
 <p>Occupancy rate stayed at the same level as in the previous quarter.</p>	 <p>Occupancy rate increased 2.0 %-point from Q4/2010.</p>	 <p>Occupancy rate stood high at 97.4 %.</p>	 <p>Occupancy rose up to 98.3 %, since the previous quarter.</p>
<p>Lease expiries and new leases are at the same level *.</p>	<p>Average rents are increasing in the signed agreements*.</p>	<p>In general, there is a slight positive trend in rents*.</p>	<p>Net operating income increased 8 % in total during 2010.</p>
<p>Property values have been rising, although modestly. Change was mainly due to longer lease agreements.</p>	<p>Yields have slightly decreased due to lengthening of lease agreements.</p>	<p>Values of shopping centres in prime locations have started to increase.</p>	<p>Prime yields have started to decline in Moscow. St Petersburg is still stable.</p>

\* The figure refers to average rental levels in new agreements compared with rental levels in expired leases in Sponda's portfolio.

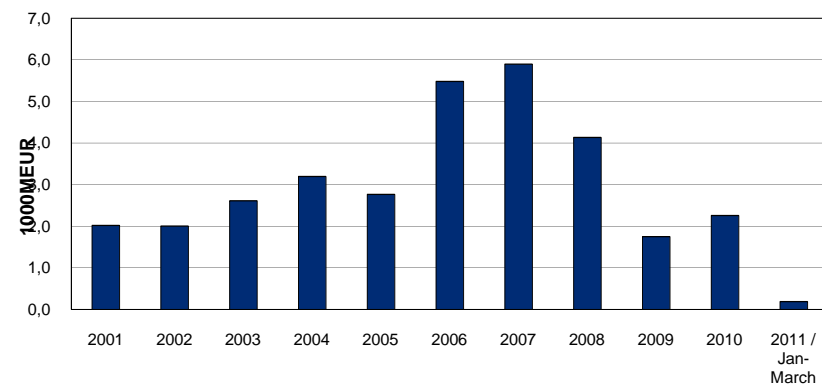
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# The Finnish property market

- In Q1 2011, transaction volume is at the same level as in Q1 2010, EUR 0.2 billion.
- Transaction activity has increased in Q2 2011.
- Office market vacancy has started to decline in 2011.
- Market rents are going up, especially in prime areas.

Property transaction volume



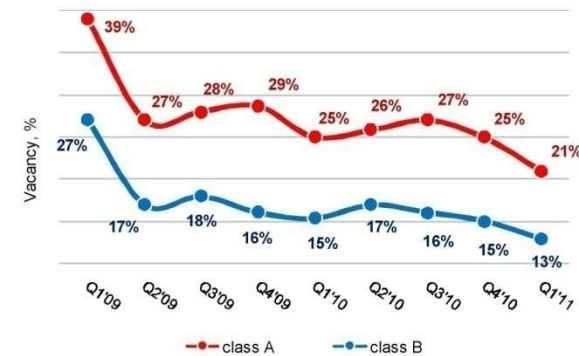
Source: KTI



# The Russian property market

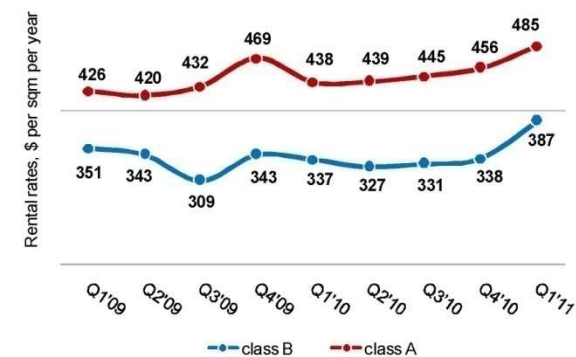
- In Moscow, rents are rising. This is especially visible in the Class B -properties.
- The vacancy in office buildings in Moscow is clearly declining.
- In St. Petersburg, prime office rents have started to modestly rise upwards.

VACANCY DYNAMICS



Source: Colliers International

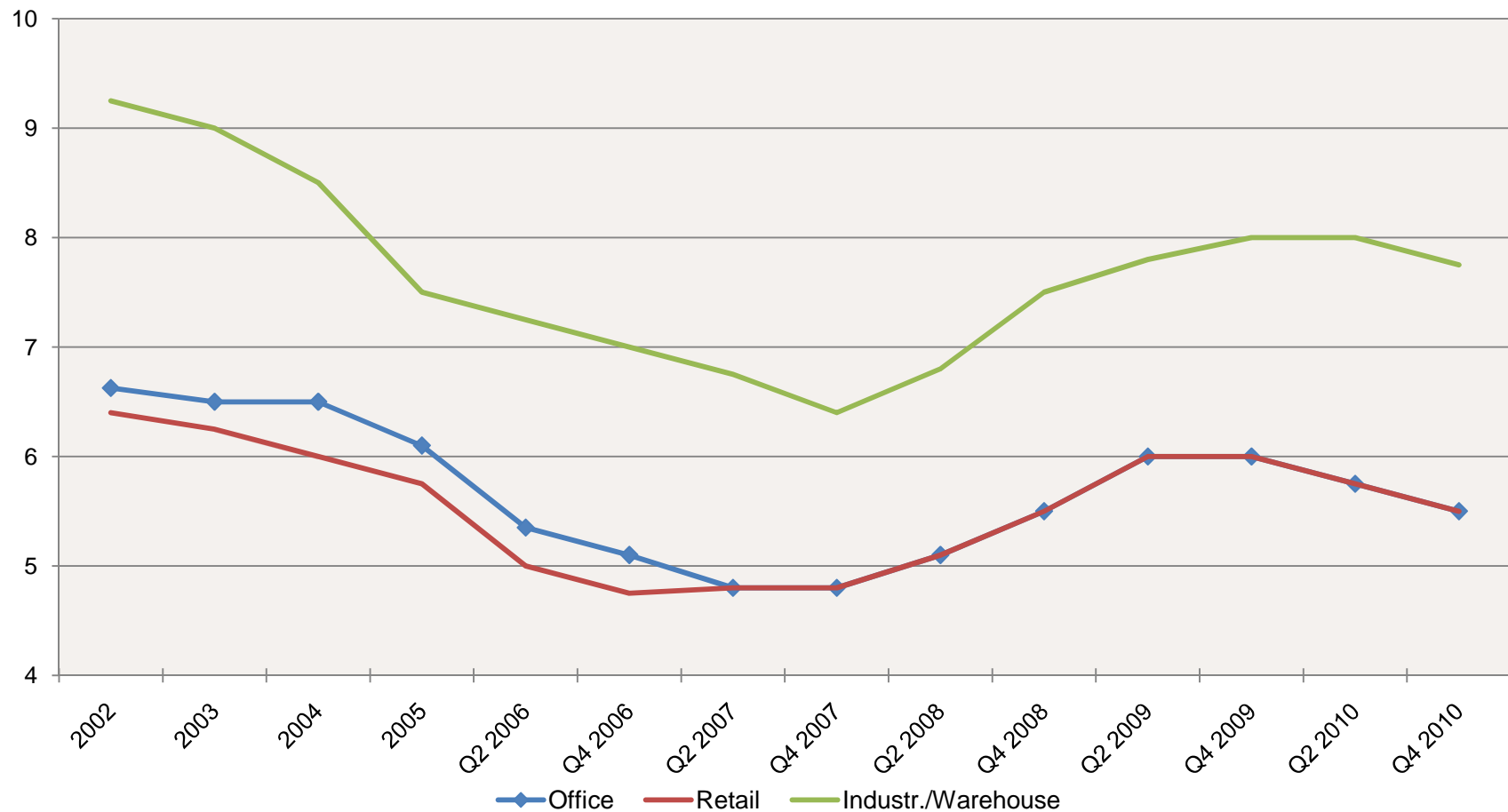
RENTAL RATES, \$ per sqm per year



Source: Colliers International

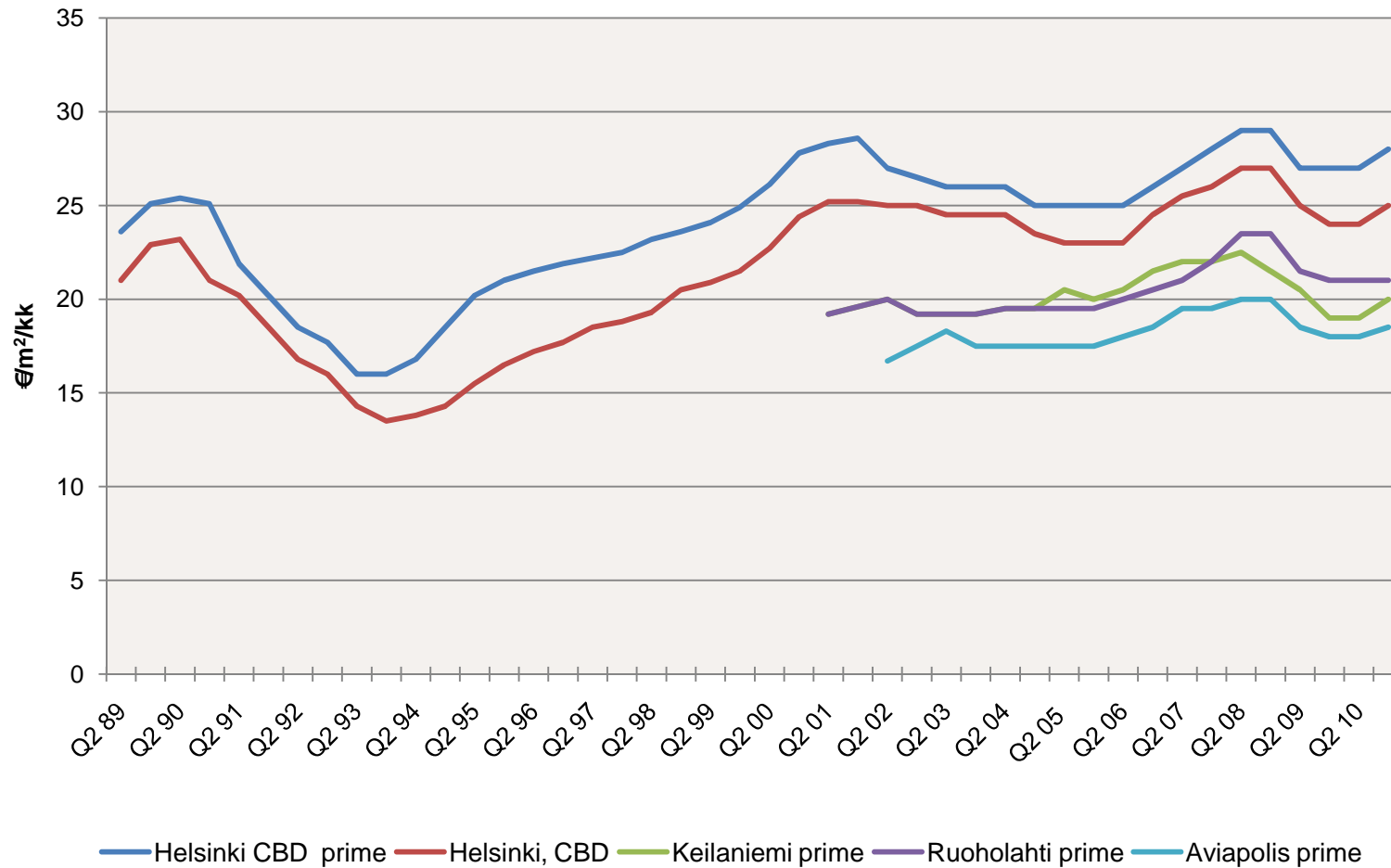
Source: Colliers International

# Finland: Prime property yields

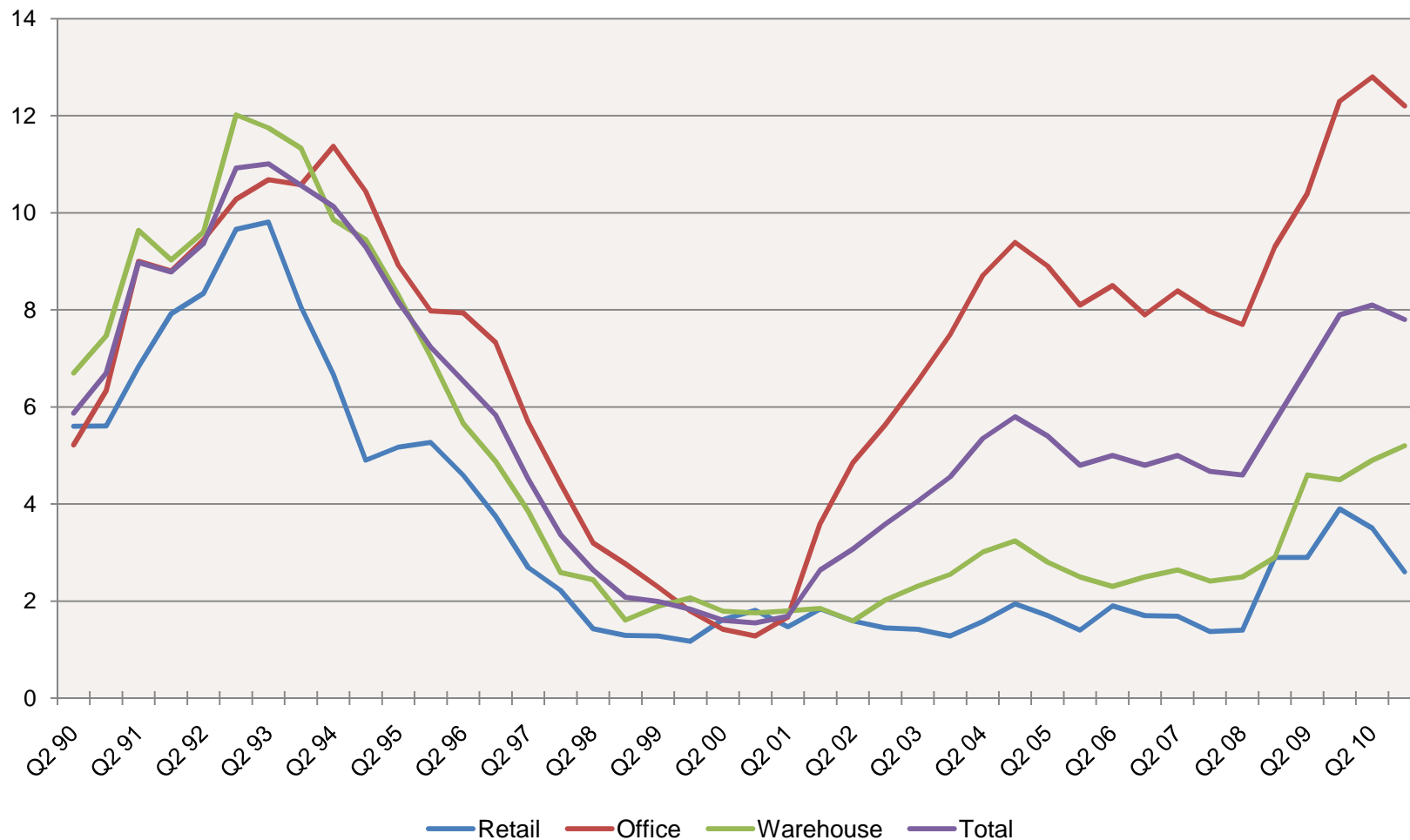


# Finland:

## Rental levels in HMA, office properties



# Vacancy rate in the HMA



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# Profit & loss statement

Me	1-3/2011	1-3/2010	1-12/2010
Total revenue*	58.6	57.6	232.1
Expenses	(19.0)	(17.2)	(63.3)
<b>Net operating income*</b>	<b>39.6</b>	<b>40.4</b>	<b>168.7</b>
Profit on sale of inv. properties	0.2	1.3	5.8
Valuation gain / loss	3.1	(0.1)	44.4
Profit on sale of trading properties	0.0	0.3	19.4
SGA expenses	(5.6)	(4.9)	(20.4)
Share of result of associated companies	(0.1)	0.0	0.1
Other operating income/expenses	0.3	(0.6)	(1.9)
<b>Operating profit</b>	<b>37.4</b>	<b>36.3</b>	<b>216.2</b>
Financial income and expenses	(12.6)	(16.6)	(58.5)
<b>Profit before taxes</b>	<b>24.8</b>	<b>19.6</b>	<b>157.7</b>
Taxes from previous and current fin. years	(0.8)	(1.0)	(3.6)
Deferred taxes	(5.0)	(4.2)	(33.7)
<b>Profit for the period</b>	<b>19.1</b>	<b>14.5</b>	<b>120.4</b>

\*) The company's share of real estate fund profits in the income statement are presented on the change in fair value line instead of under total revenue which has altered the company's total revenue. The share of the profit in January-March was EUR 1.4 million. The figures for comparison have been adjusted accordingly.

# Valuation gains/losses

M€	1-3/11	1-3/10	1-12/10
Changes in yield requirements (Finland)	6.9	0.0	22.9
Changes in yield requirements (Russia)	0.0	0.0	11.5
Profit/loss from property development projects	4.9	0.9	2.7
Modernization investments	(11.9)	(5.6)	(29.9)
Change in market rents and maintenance costs (Finland)	4.1	(2.8)	23.1
Change in market rents and maintenance costs (Russia)	2.2	0.0	5.0
Change in exchange rates	(4.5)	6.3	5.2
<b>Investment properties, total</b>	<b>1.7</b>	<b>(1.2)</b>	<b>40.5</b>
Real estate funds	0.0	(0.4)	(1.7)
Realised gains/losses in re funds	1.4	1.4	5.6
<b>Group, total</b>	<b>3.1</b>	<b>(0.1)</b>	<b>44.4</b>

# Balance sheet

M€	31.3.2011	31.3.2010	31.12.2010
<b>ASSETS</b>			
Non-current assets	3,047.7	2,901.0	3,008.1
Current assets	53.9	84.1	78.4
<b>Assets, total</b>	<b>3,101.6</b>	<b>2,985.1</b>	<b>3,086.5</b>
<b>EQUITY AND LIABILITIES</b>			
Equity total	1,189.9	1,092.0	1,200.8
Non-current liabilities			
Interest-bearing debt	1,345.8	1,393.4	1,399.4
Provisions	0.0	0.0	0.0
Other liabilities	10.5	37.7	25.5
Deferred tax liabilities	223.2	193.4	221.0
Non-current liabilities, total	1,579.5	1,624.5	1,645.9
Current liabilities, total	332.2	268.5	239.7
<b>Liabilities, total</b>	<b>1,911.7</b>	<b>1,893.0</b>	<b>1,885.7</b>
<b>Equity and liabilities, total</b>	<b>3,101.6</b>	<b>2,985.1</b>	<b>3,086.5</b>



# Refinancing

- During Q1 2011, Sponda issued a SEK 650 million five-year senior unsecured bond.
  - Due 4 April 2016, the bond pays a floating coupon of three (3) month STIBOR +2.40 % and has an issue price of 100 %. Proceeds and cash flows of the issue have been swapped to euros, eliminating currency risk.
  - The bond issue was mainly directed to Scandinavian institutional investors and broadened Sponda's bond investor base.
- In April 2011, Sponda signed an agreement with Svenska Handelsbanken for an unsecured 50 EUR million credit limit for five years.
  - The margin and conditions for the credit limit are the same as in the credit facility that Sponda signed on 1 November 2010.
  - The key covenants of the loan are linked to the equity ratio and interest cover ratio.

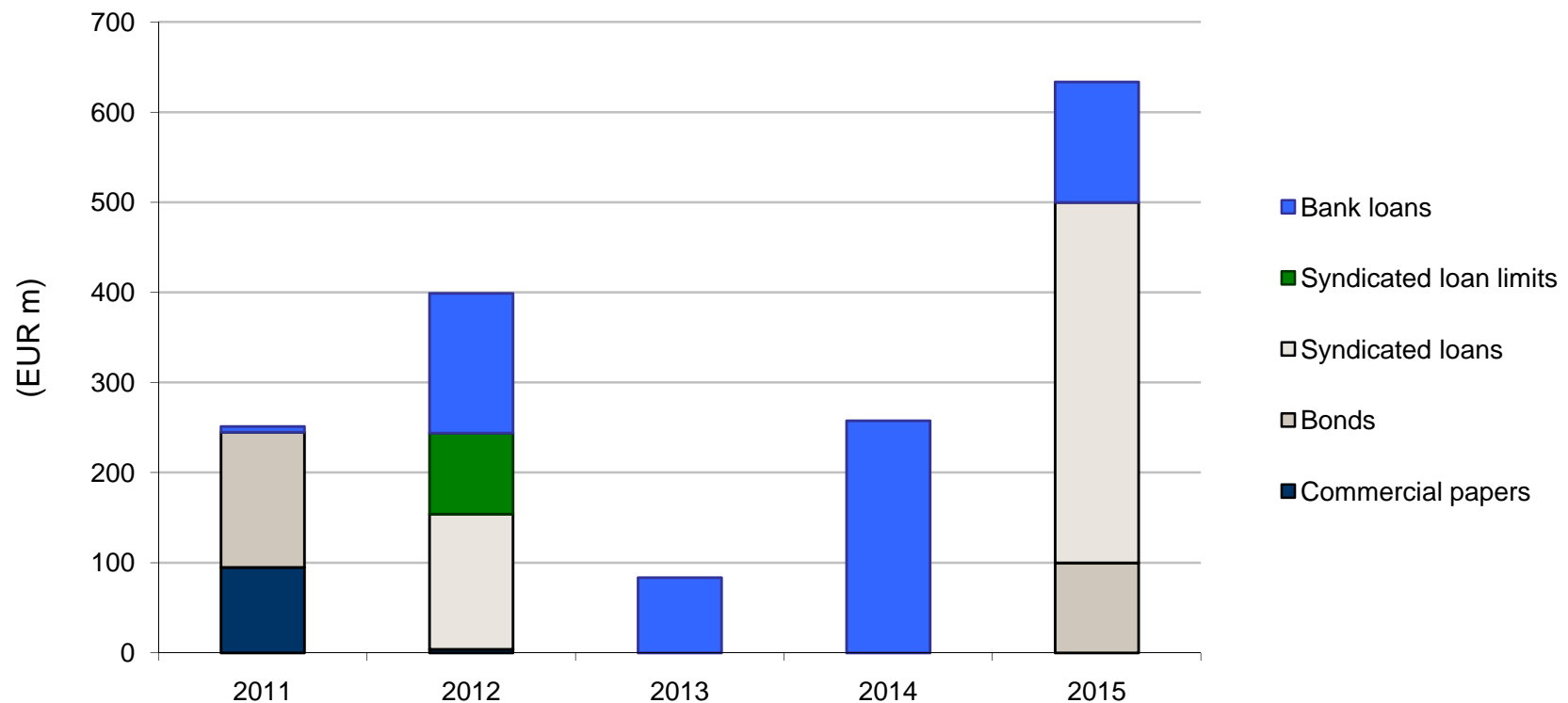
# Financing

	Q1/2011	Q4/2010	Q3/2010	Q2/2010	Q1/2010
Equity ratio, %	<b>38</b>	39	38	37	37
Average interest rate, %	<b>3.8</b>	3.8	3.9	3.9	3.8
Hedging, %	<b>87</b>	84	74	70	67
Average loan maturity, yrs	<b>2.9</b>	3.2	2.4	2.6	2.5
Average fixed interest rate period, yrs	<b>2.5</b>	2.2	2.2	1.9	1.8
Interest cover	<b>3.0x</b>	3.0x	3.0	2.9x	2.9x
Loan to Value, %	<b>54</b>	53	55	55	56

- *Long-term equity ratio target 40 %*
- *Covenants at equity ratio (28 %) and ICR (1.75 x)*

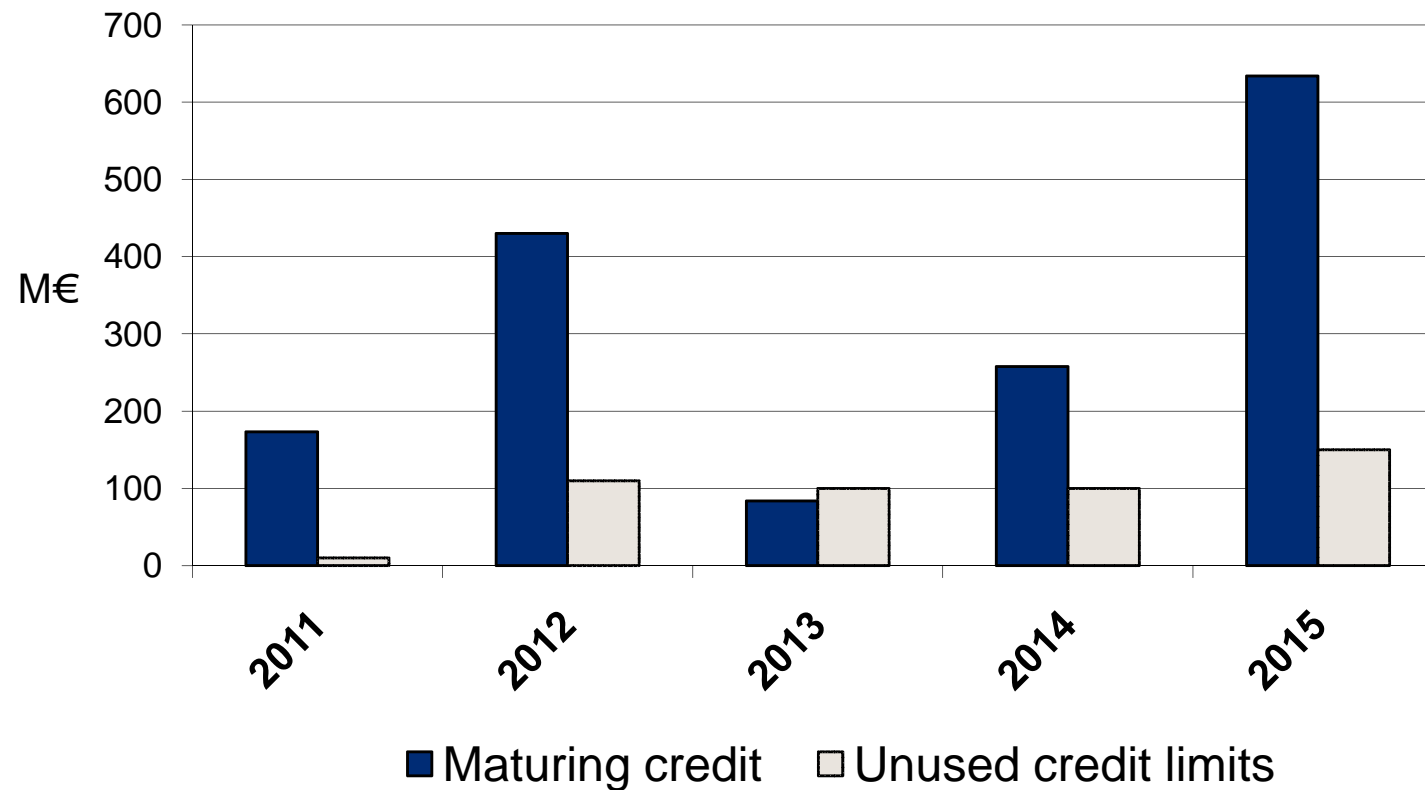
# Loan maturities 31 March 2011

- Interest-bearing debt EUR 1,619.4 million
- Unused financing limits EUR 460 million
- The SEK 650 million bond is drawn in Q2 2011
- The EUR 50 million credit limit was signed in Q2 2011.



# Unused credit limits – maturities 31 March 2011


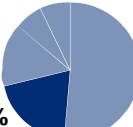
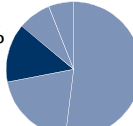
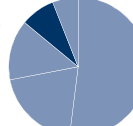
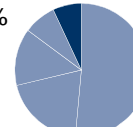
- Unused financing limits EUR 460 million in total



# Agenda

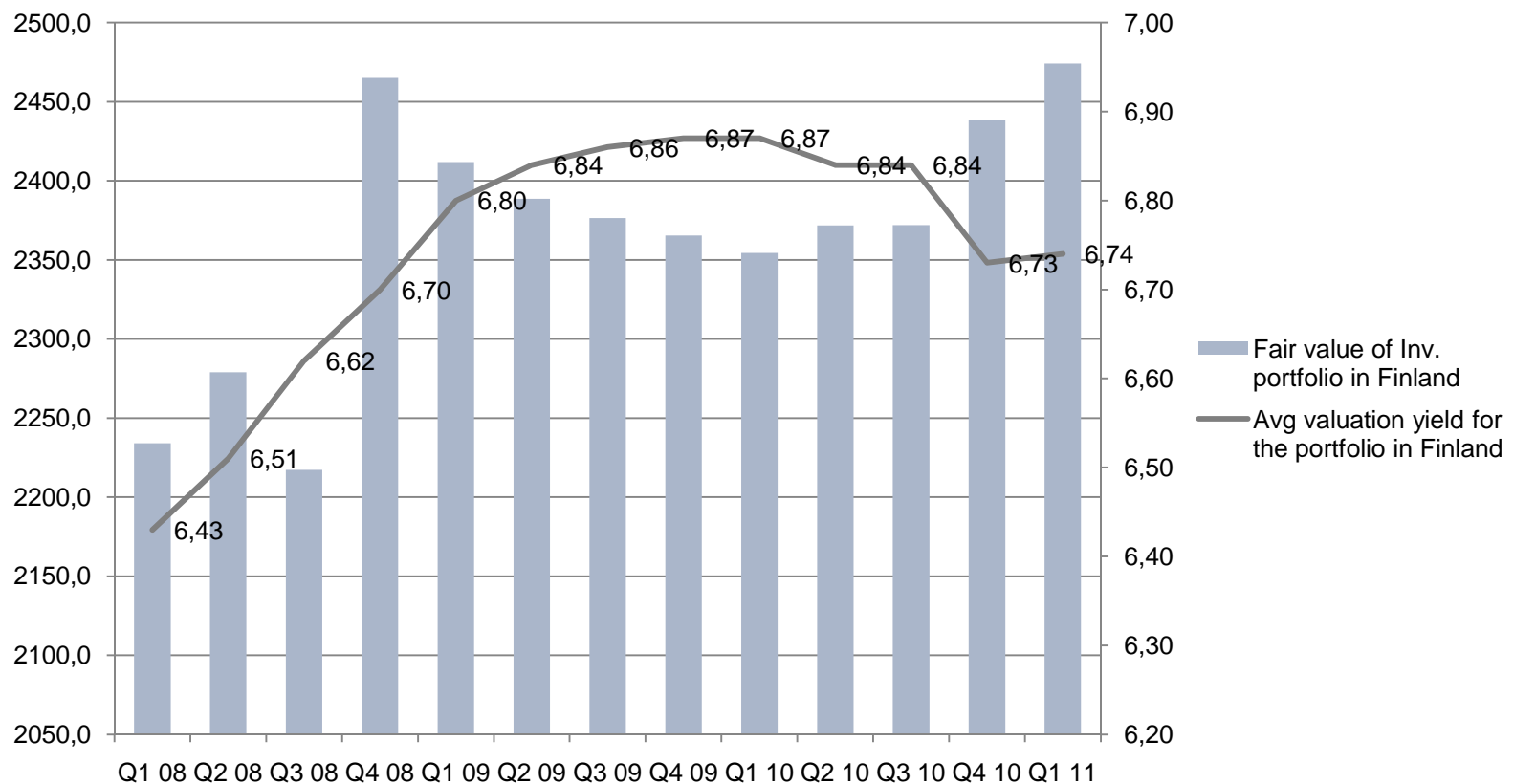
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# Overview of reporting segments

	Segment in brief	Fair value <sup>1</sup>	% of portfolio <sup>2</sup>	Yield requirement <sup>3</sup>
Office & Retail	<ul style="list-style-type: none"> <li>Office and retail properties in the largest cities of Finland</li> <li>Focus on Helsinki CBD and the Ruoholahti area</li> </ul>	EUR 1,478.6m	 51%	6.6%
Shopping Centres	<ul style="list-style-type: none"> <li>Specialises in leasing shopping centres in the largest cities in Finland</li> </ul>	EUR 553.7m	 19%	5.9%
Logistics	<ul style="list-style-type: none"> <li>One of the largest owners and lessors of logistics properties in Finland and largest supplier in the Helsinki Metropolitan Area</li> </ul>	EUR 441.9m	 15%	8.0%
Property Development	<ul style="list-style-type: none"> <li>Sponda's development projects and land assets</li> <li>Currently active projects are the City-Center project and production plant in Vantaa</li> </ul>	EUR 239.5m	 8%	n/m
Russia	<ul style="list-style-type: none"> <li>Office and logistics properties, shopping centres and land assets in the Moscow and St Petersburg areas</li> </ul>	EUR 202.3m	 7%	10.7%
Real Estate Funds	<ul style="list-style-type: none"> <li>Owns and manages office, retail and logistics properties through real estate funds</li> </ul>	EUR 635m (assets under management)	n/m	n/m

# Valuation yield development

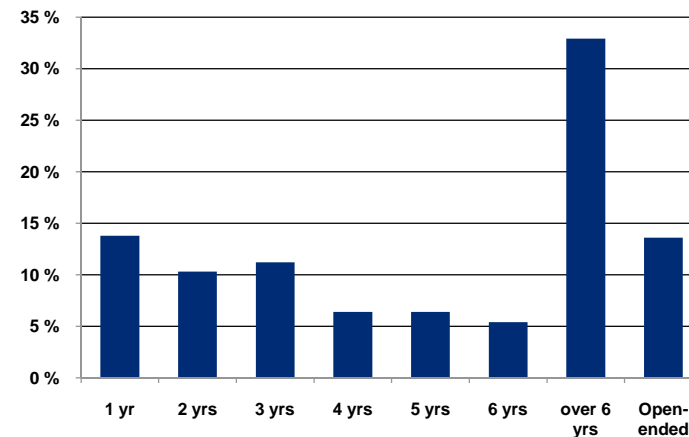
- Average valuation yield for the investment portfolio in Finland  
(excl. Property development and Russia)



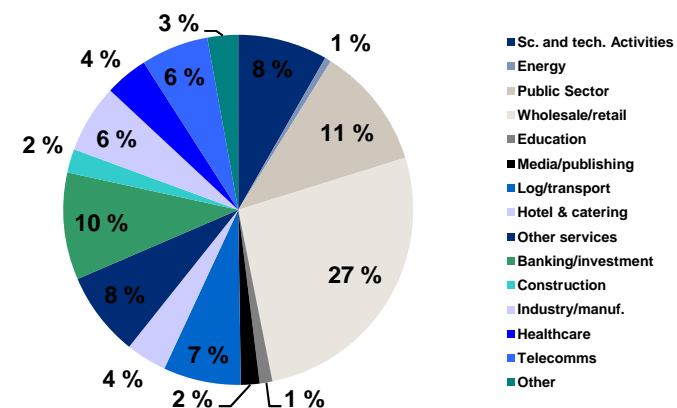
# High-quality tenant base and balanced lease agreement base

- Future cash flows  
EUR 1,225.0 million
- Average length of contracts  
5.1 years:
  - O&R 5.4 yrs
  - Shopping Centres 6.7 yrs
  - Log 4.5 yrs
- Approximately 34 % of total rental income comes from 10 largest tenants
- All agreements in Finland are linked to CPI

Lease maturity profile



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



Note 1: Based on rental income



# Lease agreements in Q1 2011

	Pcs	M <sup>2</sup>	€/m <sup>2</sup> /month (avg)*
Agreements that came into force during the period	101	31 000	12.03
Agreements that ended during the period	125	30 000	14.66
Agreements that were extended during the period	39	41 000	15.52

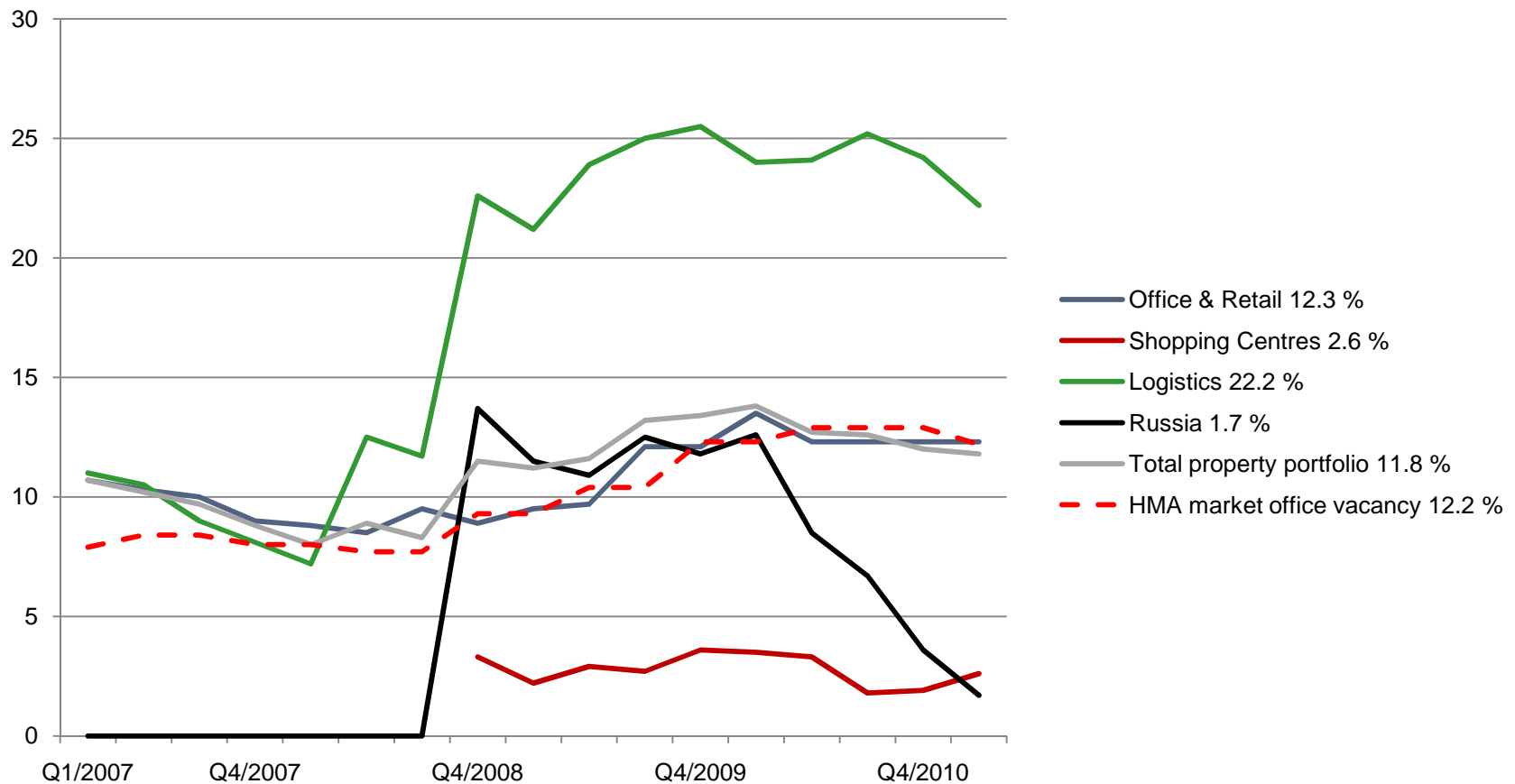
*\*) Agreements that came into force and ended do not necessarily correlate with same sector or space. This quarter Sponda signed more logistics agreements, hence the difference in rents/m<sup>2</sup>.*

	Office and Retail	Shopping Centres	Logistics	Russia
Like-for-like net rental growth*	-4.1 %	15.7 %	-1.0 %	11.8 %

*\*) Portfolio that Sponda has held for 2 years excluding acquisitions, disposals and property development*

# Economic vacancy rate 2007 - 2010

*Office & Retail vacancy restated from 31 Dec 2008*



# Back to growth

## – property development

- The value of development portfolio was EUR 239.5 million
  - Land sites: EUR 81.4 million
  - Development projects: EUR 143.9 million
  - Development investments include mainly investments to City-Center project and production plant in Vantaa.

	City-Center	Shopping centre Zeppelin
Total investment, M€	125.0*)	18.0
Of which invested by 31 March 2011	92.7*)	0.6
Capitalized interest costs by 31 March 2011, M€	10.8	-
Completion time	End of 2012	End of 2011

# Currently ongoing development projects

## ***City-Center***

- By the summer 2011, City-Center will have 4,200 m<sup>2</sup> of new office space and 3,700 m<sup>2</sup> of new retail space.



## ***Shopping Centre Zeppelin***

- Extension work has begun. New retail space totals 8,700 m<sup>2</sup>.
- Total investment is EUR 18 million.
- Pre-letting is over 60 %.



# Office and retail property, Hämeenkatu 16, Tampere

- Renovation of office and retail building in Tampere will begin in spring 2011.
- The property will be renovated for EUR 6.5 million.
- Property will have new office space of 2,500 m<sup>2</sup> and retail space of 3,000 m<sup>2</sup>.
- Renovation will be ready by the end of 2011.



# Ruoholahden Kuntotalo, Helsinki

- Sponda will build a new environmentally-friendly office building in Ruoholahti.
- Total investment is EUR 23.5 million.
- Construction for new building will begin in August 2011. Building will be completed in April 2013.
- Total leasable area is 6,000 m<sup>2</sup>.
- Building is 70 % pre-let.





# Prospects and financial targets

## Prospects

- Sponda expects vacancy rates to continue falling in 2011. This assessment is based on the 2011 growth forecasts for the Finnish economy and increased demand for properties in prime locations.
- The net operating income in 2011 is expected to be higher than in 2010 due to the expected fall in vacancy rate and the completion of property development projects during the year.

## 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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# Back to growth

## - purchase of Fennia Quarter

- Sponda purchased from Suomi Mutual Life Assurance Company the Fennia Quarter located in the Helsinki CBD.
- The block consists of 6 real estate companies and a portion of the shares in a company managing the Kaisaniemi metro hall.
- The Fennia Quarter has a total of approximately 25,500 m<sup>2</sup> of office space and approximately 14,200 m<sup>2</sup> of retail premises. The vacancy rate was approx. 9.7 %. The net initial yield is approx. 5.7 %.
- Sponda will pay to Suomi Mutual a total of EUR 122 million as debt-free purchase price, of which EUR 100 million less the net debt of the target has been paid in cash in connection with the signing of the purchase. In addition to the cash payment, Sponda's Board of Directors has decided to pay a part of the purchase price through an issue of 5.5 million new shares in Sponda directed to Suomi Mutual based on the share issue authorization given by Sponda's Annual General Meeting of Shareholders on 16 March 2011.

# Purchase of Fennia Quarter



# Grounds for purchase of Fennia Quarter

- The purchase of the Fennia Quarter supports Sponda's strategy and strengthens the property portfolio of Sponda's Investment Properties business unit.
- The major tenants in the entity are Finland's Slot Machine Association (Grand Casino), Finnkino and the City of Helsinki.
- The acquisition will have a positive impact on Sponda's net assets per share and cash flow per share already in 2011.
- The Company has estimated that Finland's property market will see a positive turn during the ongoing year, and the anticipated rise in rents in the central Helsinki area in particular will have a positive impact on the profitability of the Fennia Quarter in the future.
- The purchase will increase Sponda's rental income from the beginning of May 2011.



# Purchase of Fennia Quarter



# Directed issue

- Sponda's Board of Directors decided to issue 5,500,000 new shares in Sponda to Suomi Mutual through a directed issue based on the share issue authorization given by Sponda's Annual General Meeting of Shareholders on 16 March 2011.
- Suomi Mutual subscribed for all the shares at a subscription price of four euros (EUR 4.00) per share. This is the closing price of the share as at 29 March 2011 and exceeds the equity per share adjusted by dividends as at 31 December 2010 as well as the average price of Sponda's shares adjusted by dividends in February 2011. Thus, the total value of the share consideration was EUR 22,000,000.
- On the aforementioned grounds, Sponda's Board of Directors finds that there is a weighty financial reason for carrying out the share issue in deviation from the shareholders' pre-emptive rights in connection with the purchase of the Fennia Quarter.
- The shares will be incorporated in the book-entry system and will become subject to public trading on the official list of NASDAQ OMX Helsinki Ltd on or about 6 May 2011.
- The new shares will represent approximately 1.94 % of all Sponda's shares after the directed issue has been registered.



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# Environmental responsibility in 2011

## Targets for 2011

- **Energy efficiency program will continue**
  - The defined action plans will be carried out and results followed up for the first ten properties in the program
  - Action plans will be defined for the other properties included in the program
- **Environmental certificate will be applied for all new development projects**
- **Low-energy concept will be taken into use in all new development projects**
- **Waste**
  - Increased recycling of waste
  - Efficient monitoring for total amount of waste produced by properties
- **Russia**
  - Energy consumption monitoring (water and electricity) introduced to properties in Moscow
  - Environmental certificate for one property

# Strategy

- *Sponda's strategic goal* is to seek growth and profitability through customer-focused operations and active property development, by purchasing property, and through operating real estate funds in Finland and Russia.
- Sponda will focus on active portfolio management through divesting non-core properties, acquiring properties that the company considers to be in core locations and core segments.
- Sponda reviews its strategy regularly so that it can, if necessary, adjust its operations to prevailing market conditions.



# Strategy 2005-2010

2005	2006	2007	2008	2009	2010
<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 investment target.</li> <li>• Strategy adjusted to challenging market conditions: 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>
<p>Organisation streamlined to four business units: Office and Retail, Logistics, Property Development and New Business areas.</p>	<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>• 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>	<ul style="list-style-type: none"> <li>• Activities in environmental responsibility increased.</li> </ul>

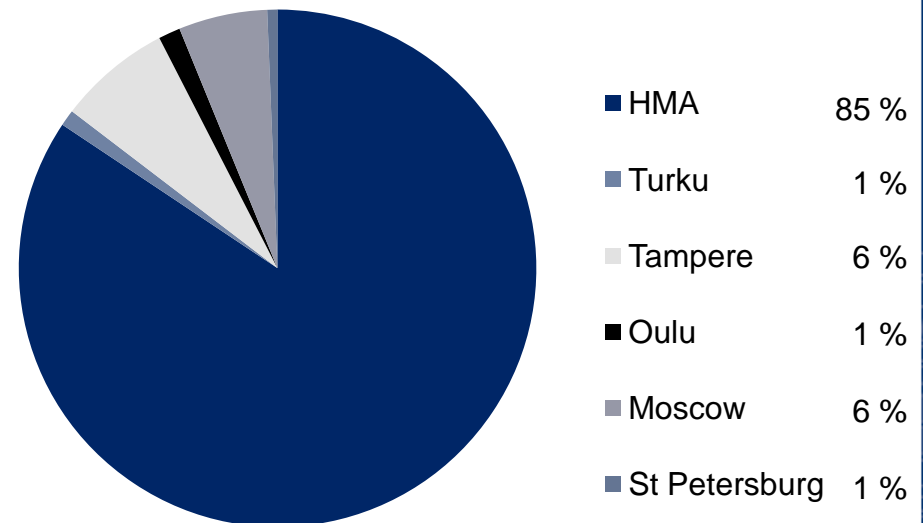
# Property portfolio focused on prime locations in the Helsinki Metropolitan Area

Sponda owns a diversified property portfolio with a wide range of space solutions

## Helsinki CBD and Ruoholahti areas

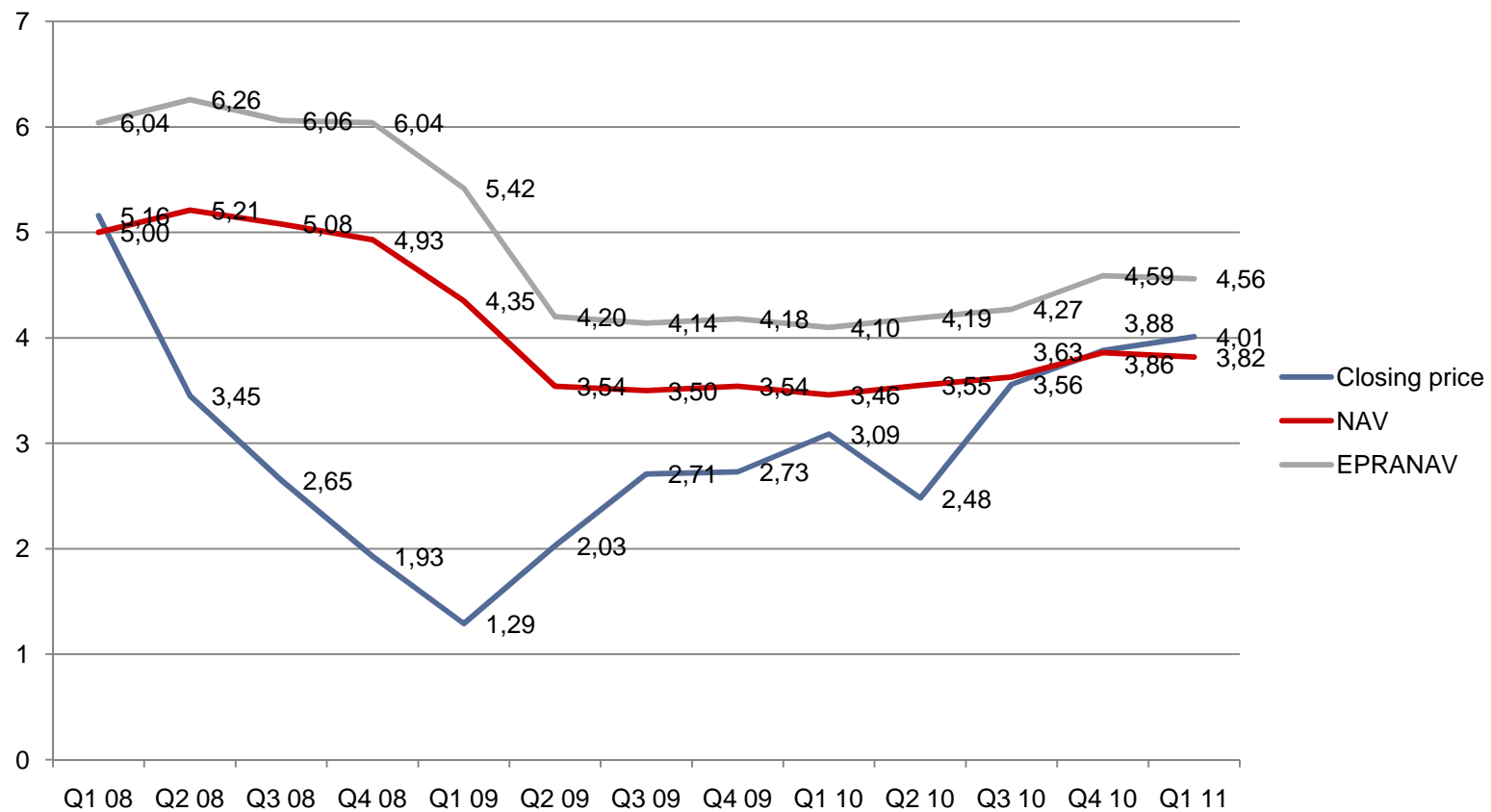


## Investment properties by location (excl. Property development & Funds)



EUR 2,676.5 million

# NAV/share and EPRA NAV/share



# EPRA NAV calculation

	M€
Equity attributable to equity holders of parent company	1 188.2
Other equity reserve	-129.0
Goodwill relating to deferred tax liability on properties	-14.5
Deferred tax*)	219.0
Capitalized borrowing cost	0.8
<b>Total</b>	<b>1 264.4</b>
No of shares at the end of period	277 575 462
EPRA NAV	4.56

*\*) Deferred tax relating to fair valuation of property and interest rate derivatives*