



# *Sponda Q1 2013 results*

3 May 2013

**SPONDA**



# *Performance Highlights and Our Priorities*

*Kari Inkinen*

**SPONDA**

# Sponda's Q1 in brief - steady as she goes

- No surprises operationally.
- Feeling the pain of the challenging market.
  - No growth for Q1.
- Despite the conditions, Sponda's performance is stable.



# Sponda Q1 2013: Performance highlights

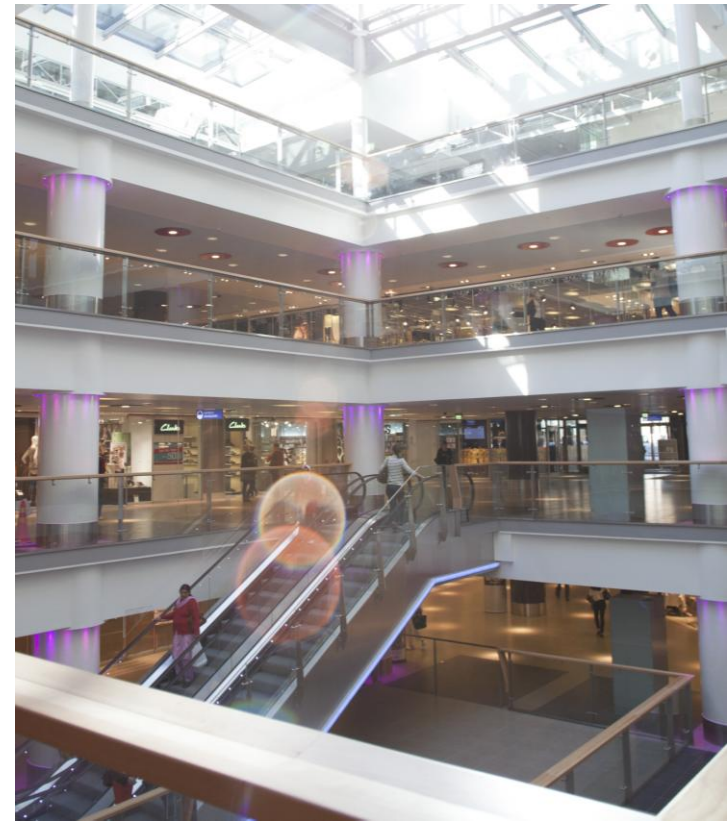
	<b>1-3/13</b>	Change %	1-3/12	1-12/12
Total revenue, M€	<b>66.0</b>	0.0	66.0	264.6
Net Operating Income, M€	<b>45.4</b>	(1.5)	46.1	192.2
Operating profit, M€	<b>44.8</b>	2.5	43.7	210.5
Cash flow from operations/share, €	<b>0.09</b>	0.0	0.09	0.40
Earnings/share, €	<b>0.07</b>	0.0	0.07	0.37
NAV/share, €	<b>4.38</b>	5.0	4.17	4.45
EPRA NAV/share, €	<b>5.07</b>	6.2	4.77	5.12
Economic occupancy rate, %	<b>88.2</b>	(0.2)	88.4	88.1

# Key issues in Q1 2013

- Sponda's strategic areas, Helsinki CBD and Ruoholahti are performing well in the current climate.
- Cash flow and occupancy rates stable.
  - Cash flow from operations was 0.09 (0.09) €.
  - Occupancy rate 88.2% (Q4/2012: 88.1%, Q1/2012: 88.4%).
  - NAV per share 4.38 (4.17) €.
  - Like-for-like rental development was positive in Office and Retail and in Shopping Centres, (1.5% and 0.4% respectively).
  - Like-for-like was negative in Logistics Properties and in Russia, (-16.2% and -1.3% respectively).

# Key issues after Q1 2013

- Office building in Ruoholahti completed in April 2013.
  - Profit target of 15% over the development investment was exceeded.
  - Property is over 90% let.
- Citycenter will officially open on 3 May 2013.
  - The City of Helsinki is still working with the pedestrian street for the remainder of the year.



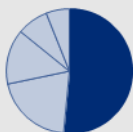
# Segment performance



## Office & Retail

Occupancy rate was stable at 89.2 % (Q1 2012 : 88.7%).

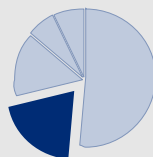
Like-for-like rents were up by 1.5%.



## Shopping Centres

Occupancy rate was 94.1% (Q1 2012: 93.9%).

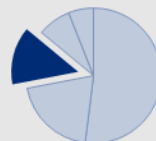
Like-for-like rents were up by 0.4%.



## Logistics

Occupancy rate decreased to 74.8% (Q1 2012: 78.1%) partly due to sale of assets and partly low market demand.

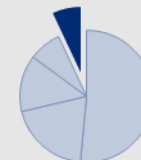
Like-for-like rents were down, -16.2%.



## Russia

Occupancy was 96.8% (Q1 2012: 98.7%).

Like-for-like rents were down by 1.3% due to letting in Ducat II which is slightly lower than in Q1 2012.



# Our priorities

Occupancy rate  
development

Our target is to keep vacancy at the end-of-2012 level despite the challenging market conditions.

We will further develop our portfolio

In 2013, our aim is to continue to sell non-core properties to cover our investments at the very least.

We will strengthen our balance sheet

Our dividend policy is to pay out 50% of operational cash earnings per share.

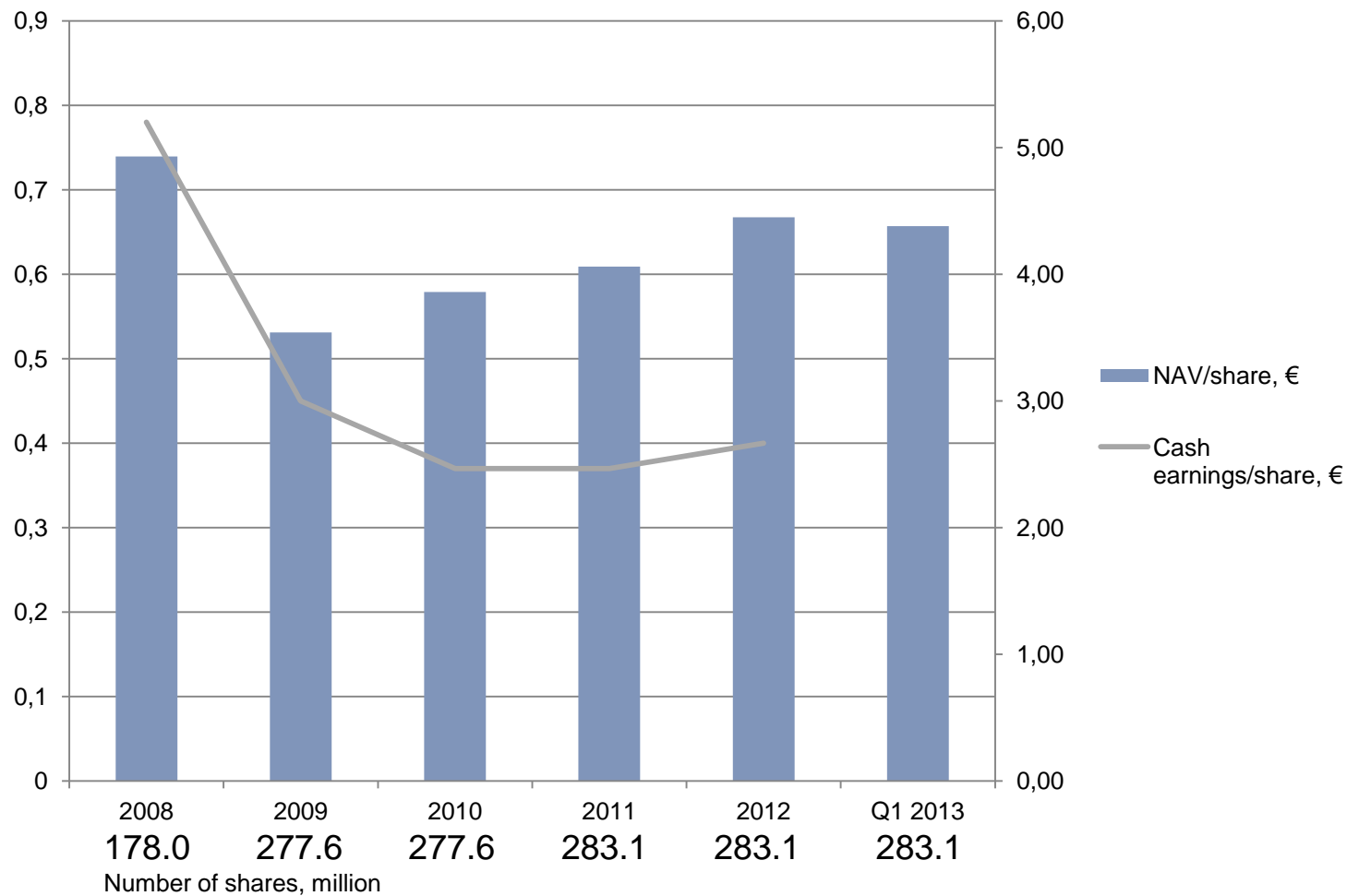
Activating property development

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

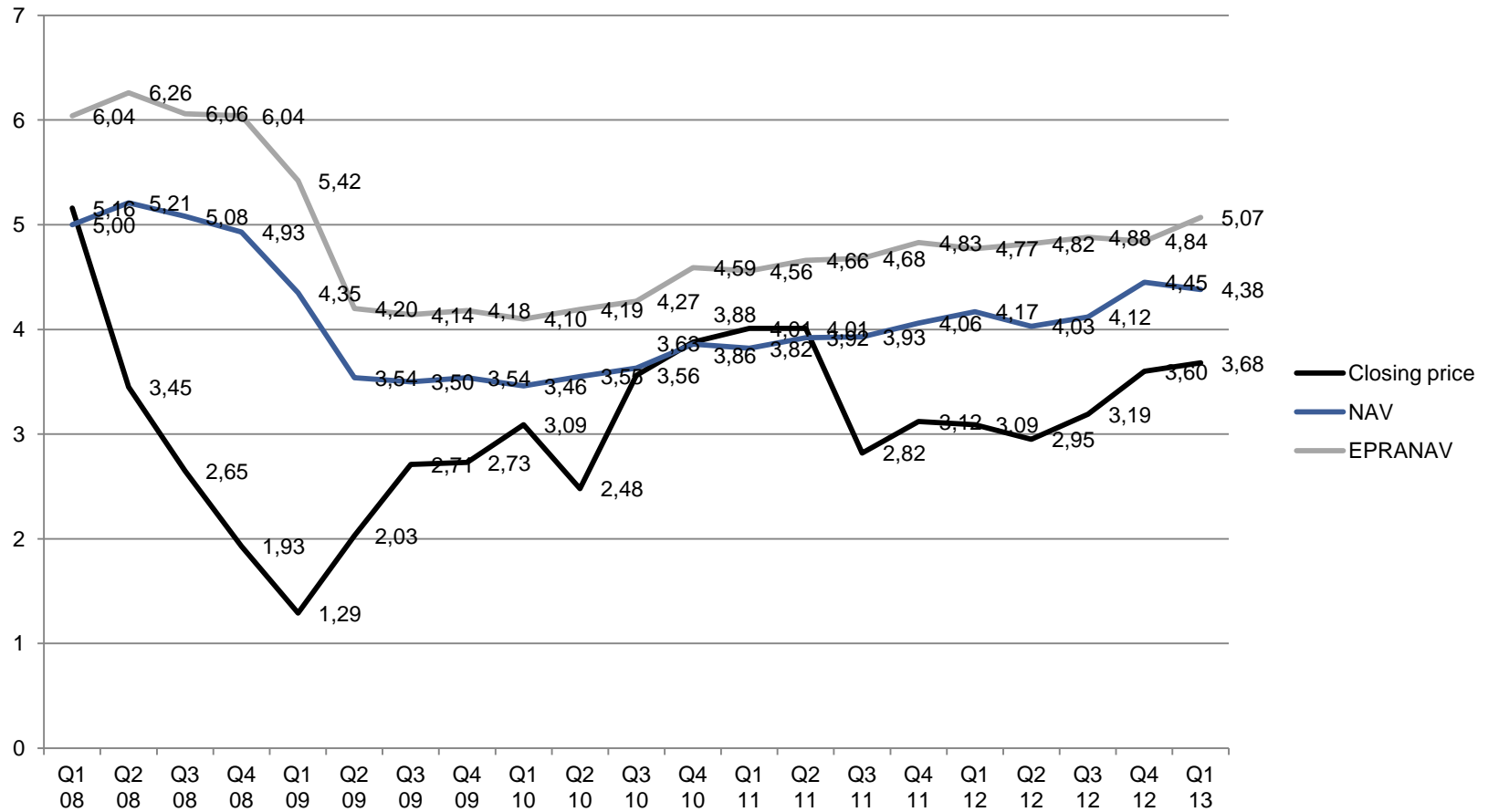


# Creating value

NAV/share has been restated for 2012



# NAV/share and EPRA NAV/share





# *Market Update*

*Kari Inkinen*

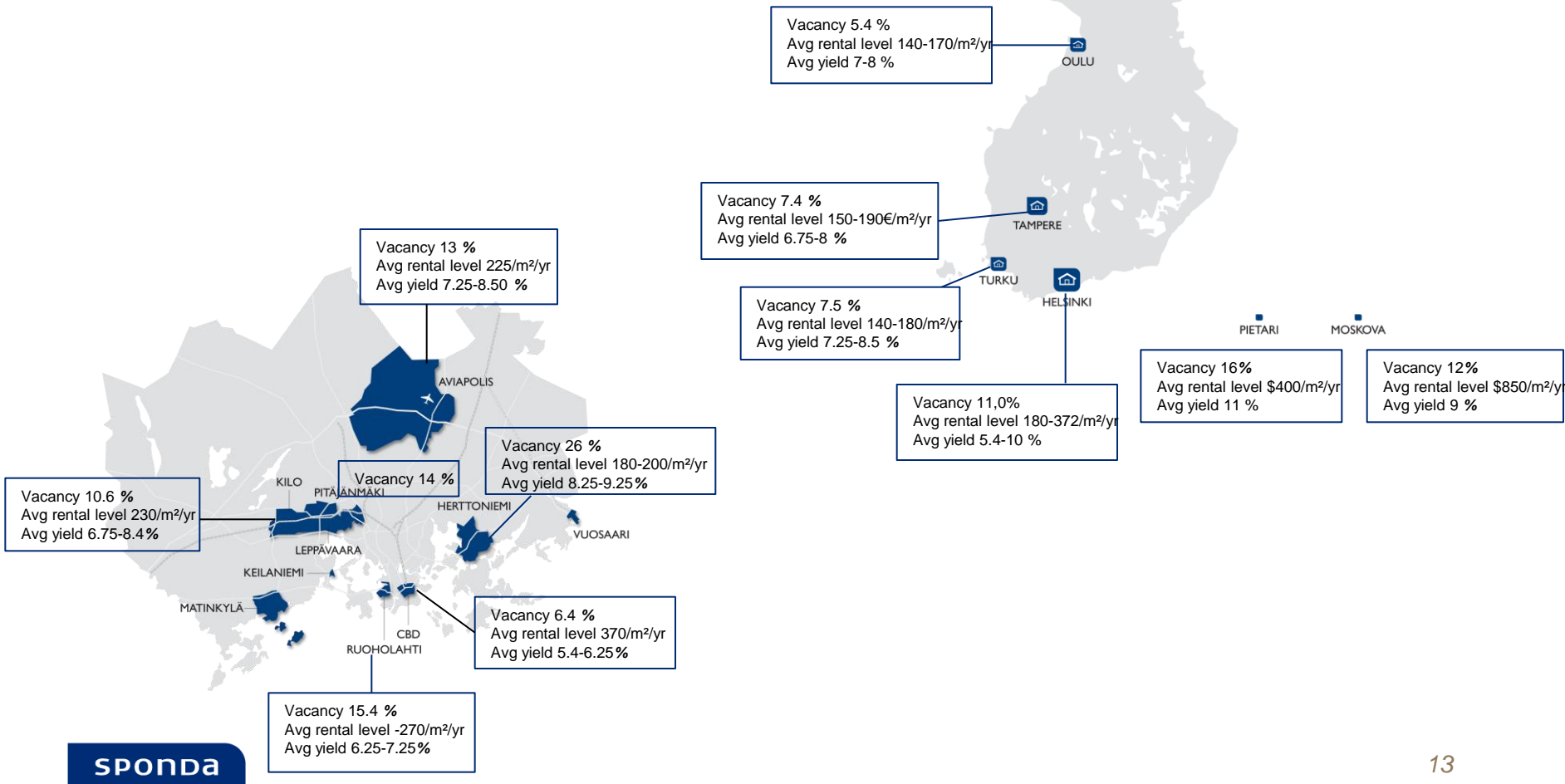
**SPONDA**

# Finnish economy forecast summary

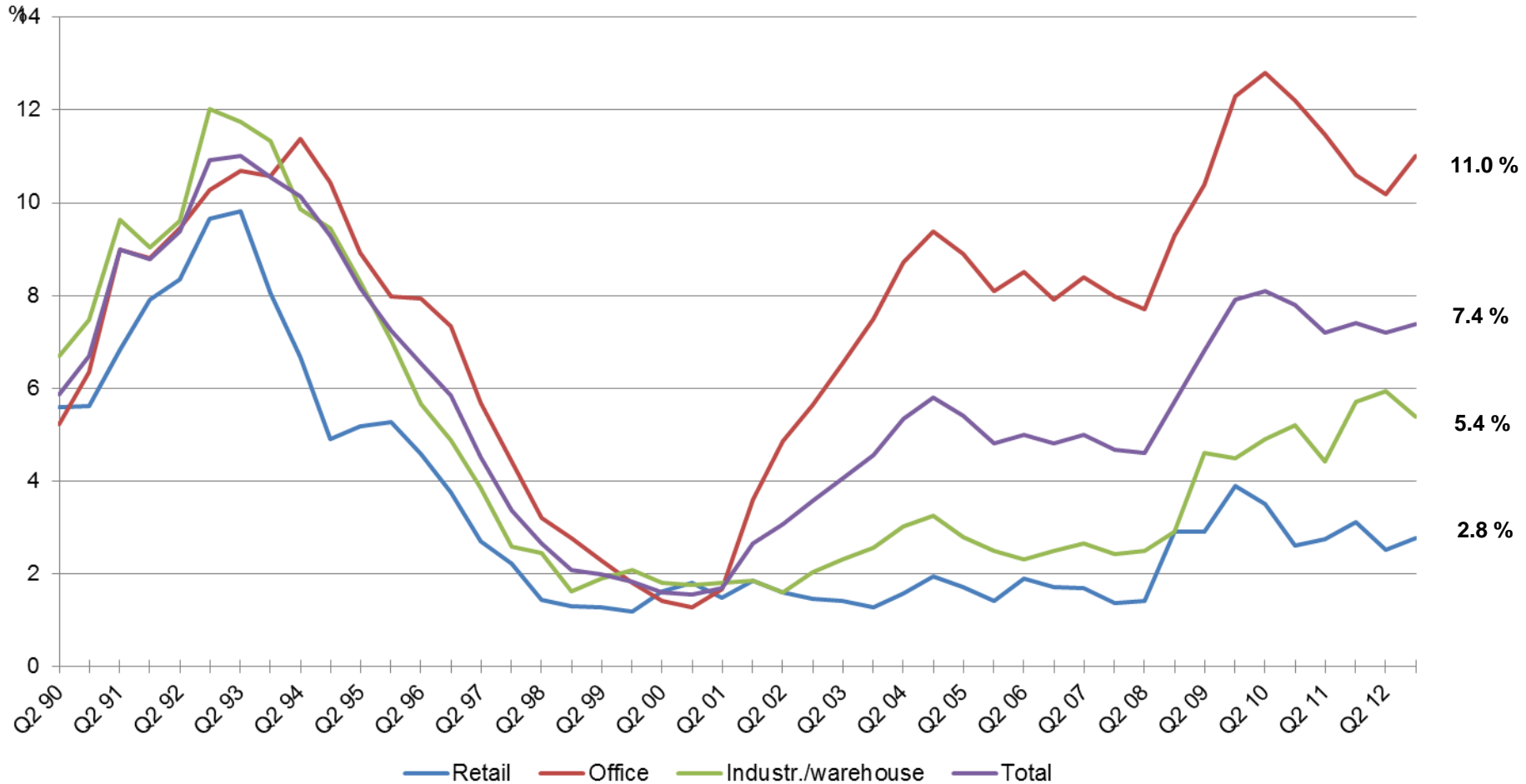
	2010	2011	2012e	2013e	2014e
	Volume, % change on previous year				
Gross domestic product	3.3	2.7	0.3	0.4	1.5
Imports	6.9	5.7	-1.2	1.0	4.2
Exports	7.5	2.6	-1.9	1.3	4.3
Private consumption	3.3	2.5	0.7	-0.1	1.2
Public consumption	-0.3	0.4	-0.3	1.0	0.6
Consumer price index	1.2	3.4	2.9	2.3	1.8
Productivity per person employed	3.7	1.7	-0.1	1.0	1.4
Number of employed	-0.4	1.1	0.5	-0.6	0.1
Employment rate, 15-64 yrs, %	67.8	68.6	69.0	68.9	69.2
Unemployment rate, %	8.4	7.8	7.8	8.4	8.2

# Property market

Sources: Catella Property, Sponda

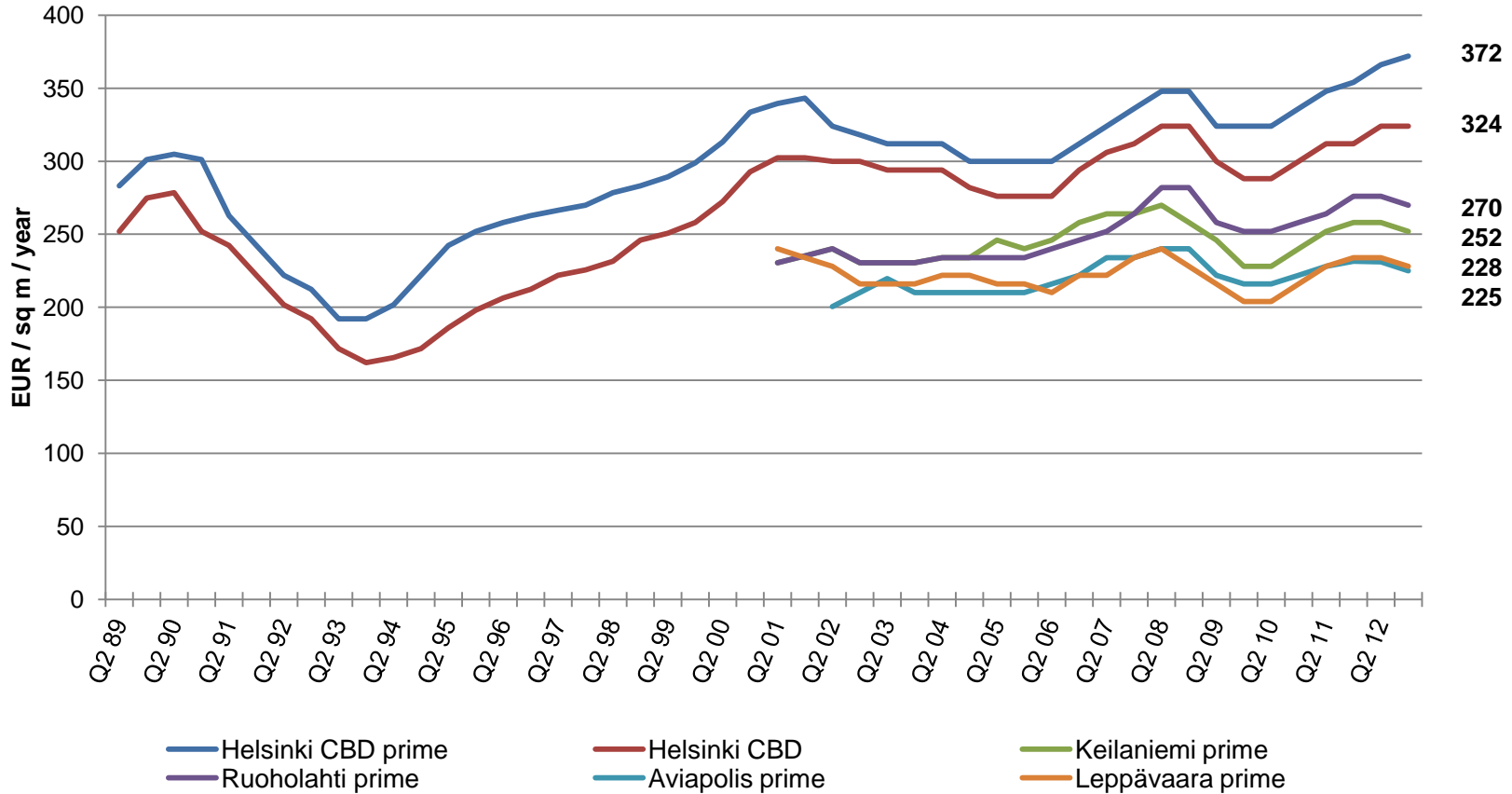


# Vacancy rate in the HMA



# Rental levels of office premises

By key area in Helsinki



# Russian property market

- The GDP growth estimate for Russia has been adjusted to 3.4% for 2012 and the growth for 2013 has been adjusted downwards.
- Transactions in 2012 totalled 7 billion USD.
- Vacancy rate in Moscow declined slightly and the average vacancy is 12%.
- The top rents for A-class offices in Moscow are still at 1200 USD/m<sup>2</sup>/year.

## Moscow Office Market Snapshot, Q4 2012

Indicators	Class A	Class B+	Class B-	Total	2013 Outlook
<b>Supply</b>					
Modern office stock, sq m	2,589,443	7,498,377	4,644,892	14,732,712	
Completions Q4 2012, sq m	66,776	85,431	10,150	162,357	
Completions 2012, sq m	218,504	331,765	16,595	566,864	↑
Availability, sq m	488,515	936,762	570,072	1,995,349	→
Vacancy rate, %	18.9%	12.5%	12.3%	13.5%	→
Pipeline 2013, sq m	307,125	722,214	115,634	1,144,972	
<b>Demand</b>					
Take-up Q4 2012, sq m	113,828	324,568	166,300	604,695	
Take-up 2012, sq m	328,722	788,834	374,943	1,492,499	↑
<b>Commercial terms*</b>					
<i>Prime</i>					
Base rents, USD/sq m/year	625–850	400–600	300–400	1,000–1,150**	↑
Operating expenses, USD/sq m/year	110–150	100–120	70–90	140–200	
Sale price, USD/sq m of gross building area	7,000–8,500	4,000–7,000	3,000–4,000	10,000–12,000	
<b>Prime yields</b>				9.0%	

\* Base rents and sale prices exclude VAT

\*\* Prime base rents refer to rents in high quality buildings in the Central Business District (CBD).

→ Stable ↓ Decreased ↑ Increased

Source: Jones Lang L

Source: Jones Lang LaSalle





# Financials

Erik Hjelt

SPONDA

# Profit & loss statement

Me	1-3/2013	1-3/2012	1-12/2012
Total revenue	66.0	66.0	264.6
Expenses	(20.6)	(20.0)	(72.4)
<b>Net operating income</b>	<b>45.4</b>	<b>46.1</b>	<b>192.2</b>
Profit on sale of inv. properties	0.0	0.9	2.5
Valuation gain / loss	5.5	2.8	33.0
Profit on sale of trading properties	0.0	0.0	5.2
Valuation gain/loss from trading properties	0.0	0.0	0.0
SGA expenses	(5.9)	(5.7)	(22.7)
Other operating income/expenses	(0.3)	(0.3)	0.3
<b>Operating profit</b>	<b>44.8</b>	<b>43.7</b>	<b>210.5</b>
Financial income and expenses	(13.5)	(14.0)	(58.8)
<b>Profit before taxes</b>	<b>31.3</b>	<b>29.6</b>	<b>151.8</b>
Taxes from previous and current fin. years	(1.1)	(0.7)	(3.7)
Deferred taxes	(6.4)	(5.8)	(33.8)
<b>Profit for the period</b>	<b>23.7</b>	<b>23.2</b>	<b>114.2</b>

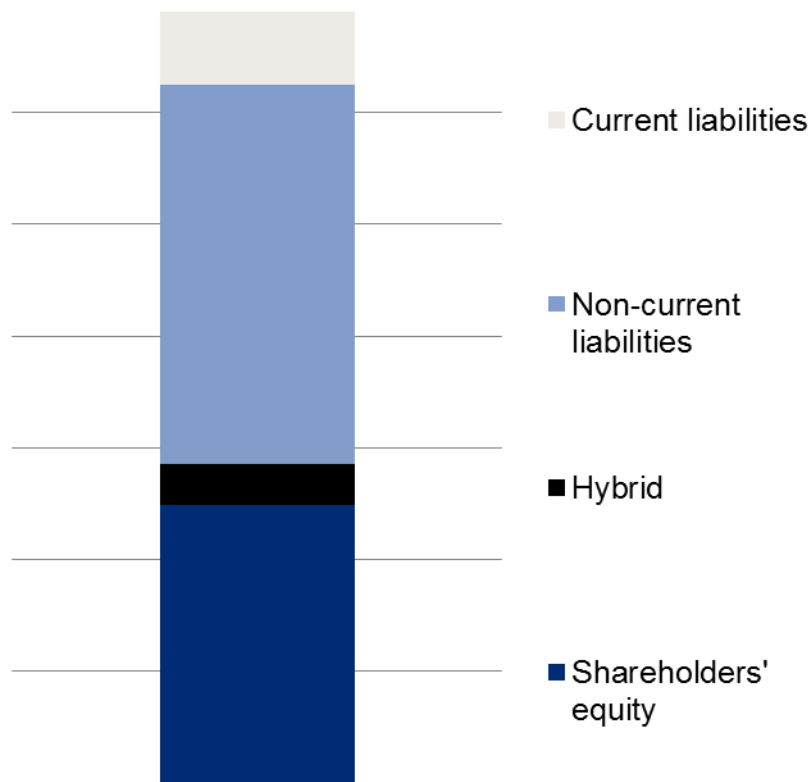
# Valuation gains/losses

M€	1-3/2013	1-3/2012	1-12/2012
Changes in yield requirements (Finland)	0.0	0.0	20.9
Changes in yield requirements (Russia)	0.0	0.0	6.5
Profit/loss from property development projects	0.2	(1.2)	(0.7)
Modernization investments	(4.6)	(6.8)	(28.5)
Change in market rents and maintenance costs (Finland)	4.7	8.2	26.4
Change in market rents and maintenance costs (Russia)	1.3	0.6	(0.1)
Change in exchange rates	3.3	0.1	0.4
<b>Investment properties, total</b>	<b>5.0</b>	<b>0.9</b>	<b>24.9</b>
Real estate funds	(1.9)	0.0	0.6
Realised gains/losses in re funds	2.4	1.9	7.5
<b>Group, total</b>	<b>5.5</b>	<b>2.8</b>	<b>33.0</b>

# Sponda's capital structure

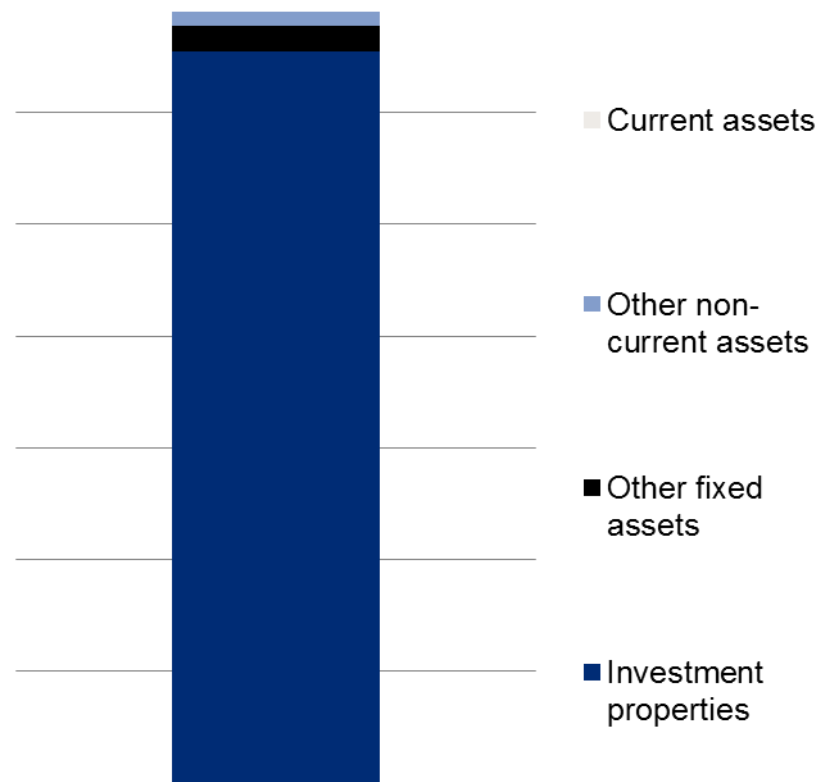
## Shareholders' equity and liabilities

3,512.50



## Assets

3,512.50



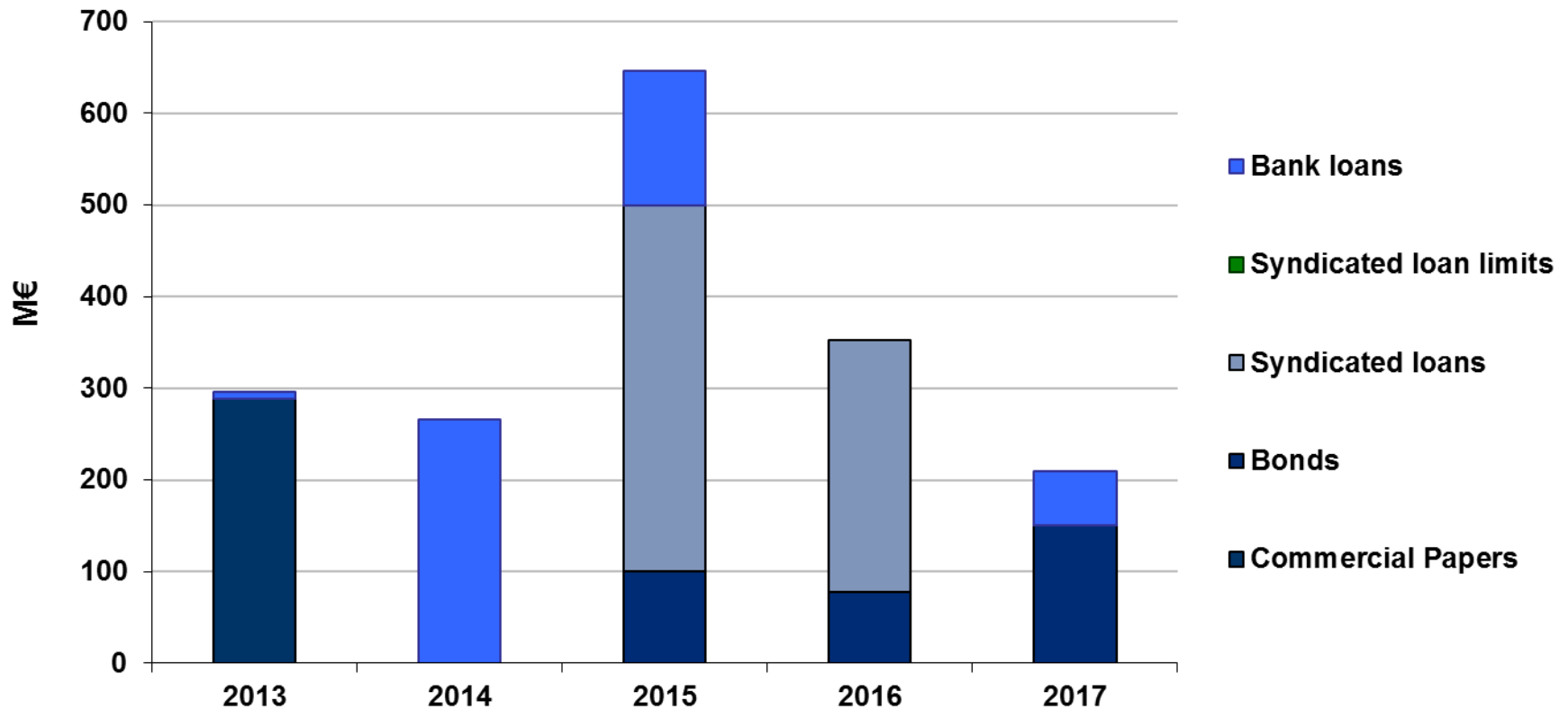
# Financing

	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012	Q4/2011
Equity ratio, % *)	<b>41</b>	40	38	37	37	38
Average interest rate, %	<b>3.4</b>	3.4	3.5	3.6	3.7	4.0
Hedging, %	<b>70</b>	72	76	74	75	77
Average loan maturity, yrs	<b>2.4</b>	2.7	2.8	2.8	2.8	3.1
Average fixed interest rate period, yrs	<b>1.7</b>	1.9	2.0	2.0	1.9	2.2
Interest cover ratio	<b>2.9x</b>	2.8x	2.7x	2.6 x	2.6 x	2.7x
Loan to Value, %	<b>52</b>	52	54	56	55	54

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

# Loan maturities 31 March 2013

- Interest-bearing debt EUR 1,765.5 million
- Unused financing limits EUR 510 million





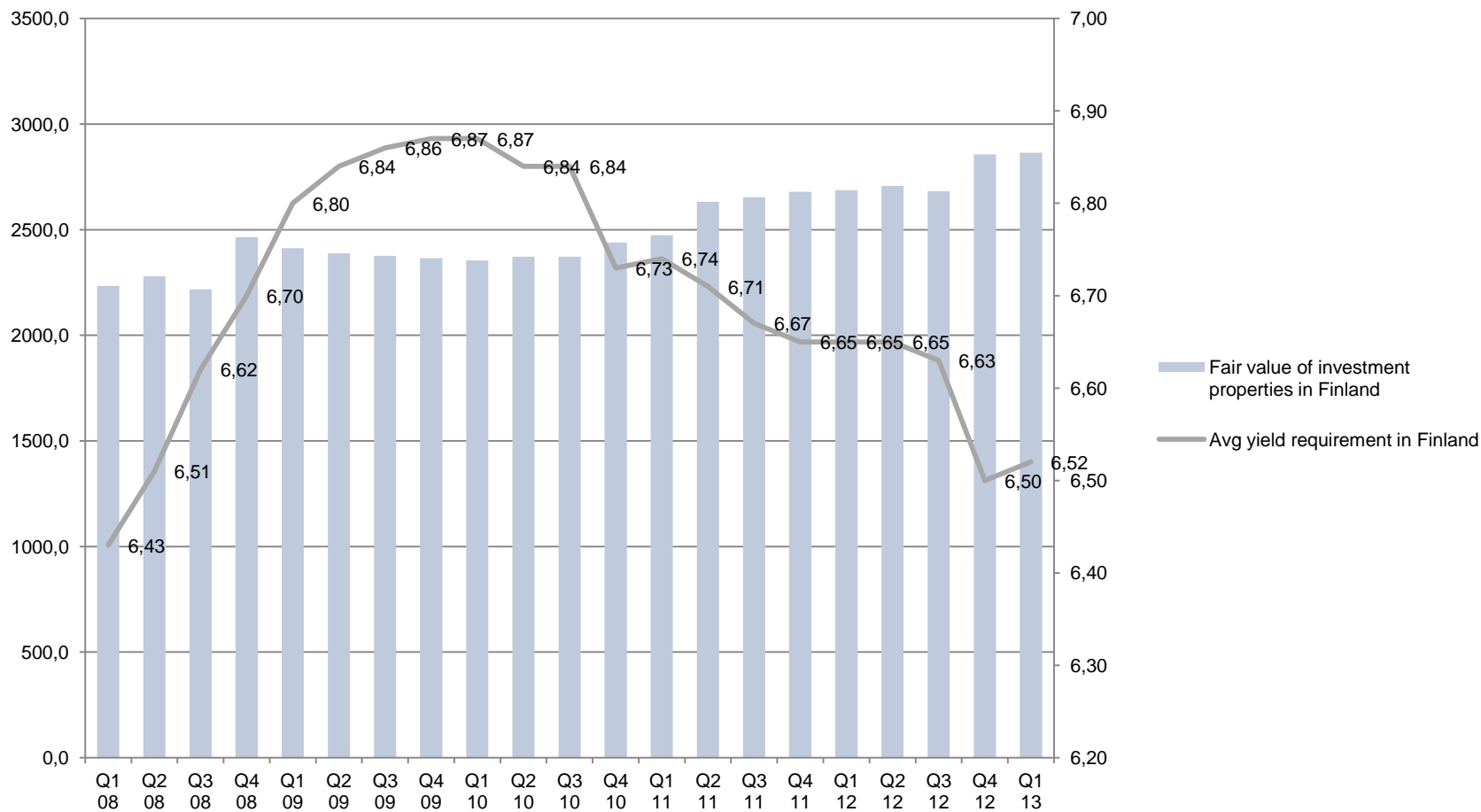
# *Business Update*

*Kari Inkinen*

**SPONDA**

# Valuation yield development

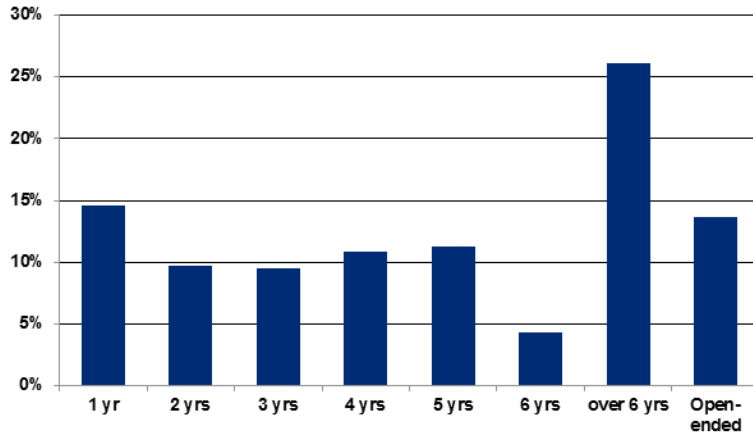
(Includes only investment properties in Finland)



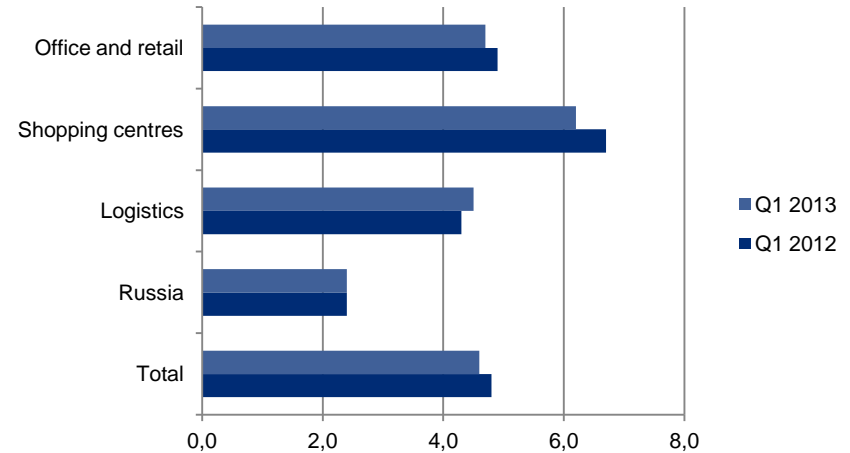


# Lease agreement composition Q1 2013

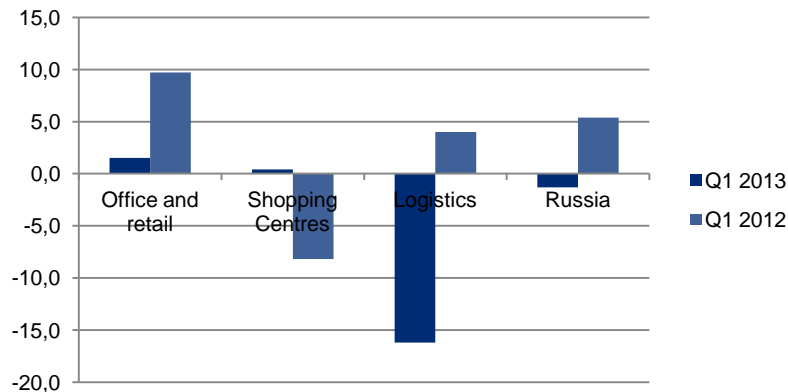
## Lease maturity profile



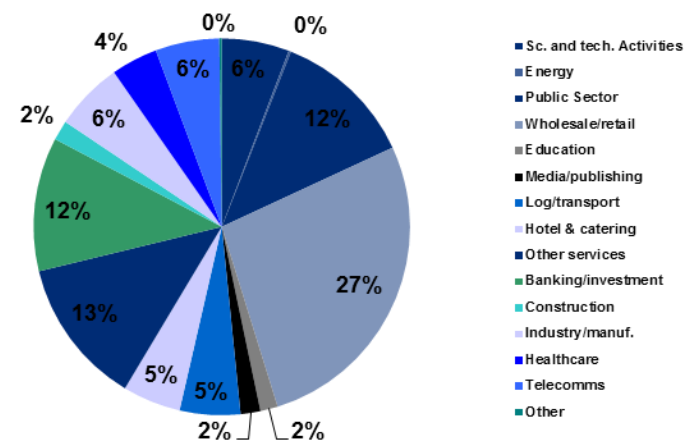
## Average lease maturity



## Like-for-like net rental growth

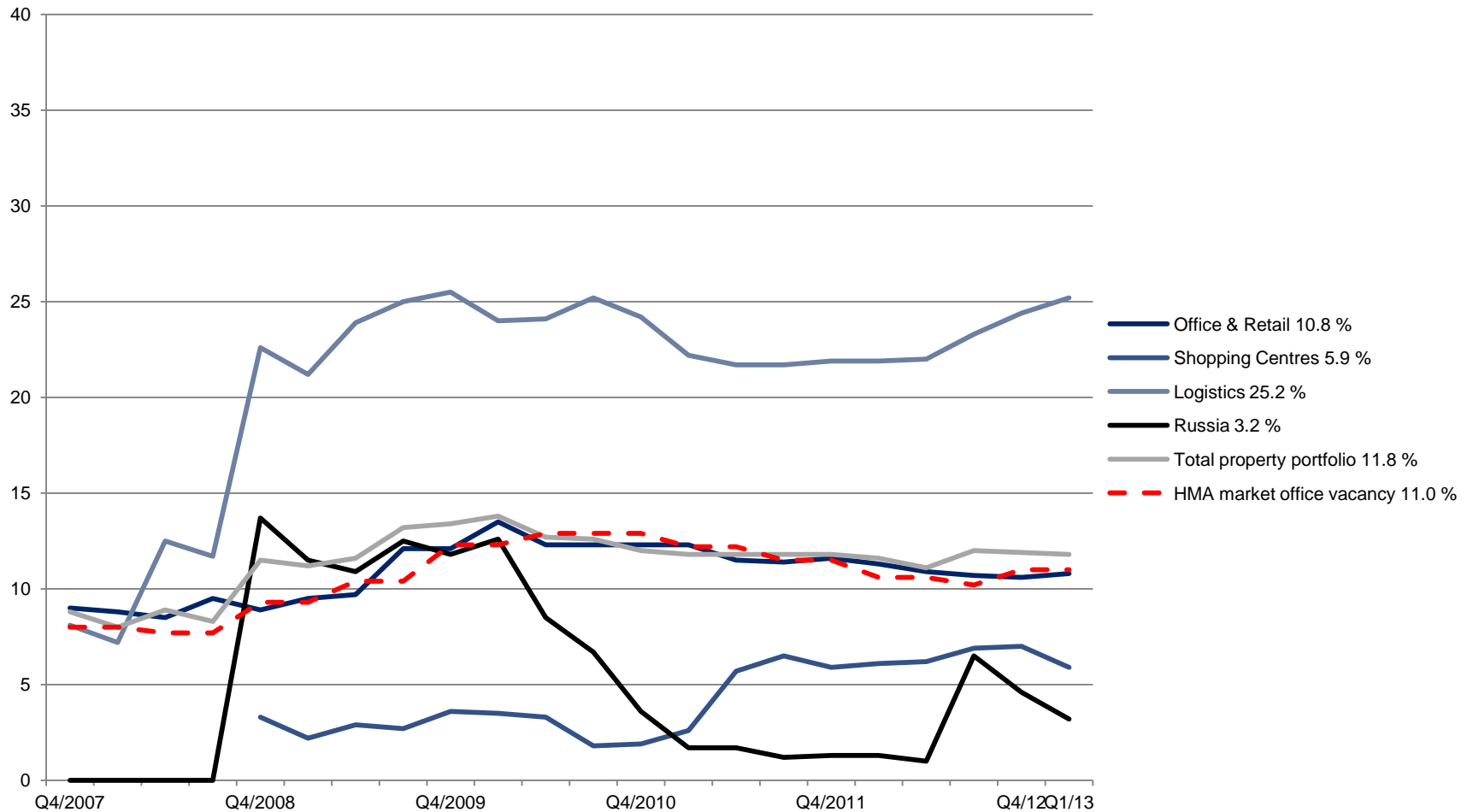


## Tenant breakdown by sector<sup>1</sup>



Note 1: Based on rental income

# Economic vacancy rate 2007 – Q1 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	Q1 2013
Property development investments	30.5	58.5	47.5	3.4
Maintenance investments	29.9	50.5	28.4	4.6
Acquisitions	0.8	150.4	53.1	-
Disposals	57.0	14.1	61.8	-

# Property development

- The value of development portfolio was EUR 136.3 million
  - Land sites: EUR 91.2 million
  - Development projects: EUR 45.1 million
  - Citycenter will be fully completed spring 2013, all the costs have been booked for 2012.
  - Ruoholahti office building was completed in April 2013.
- Currently no active property development projects.
- Ratina shopping centre planning and leasing is active. First leases have been signed.
  - Investment decision will be made and communicated separately.

# Ratina Shopping Centre



# Prospects and financial targets

## **Prospects**

- Sponda expects the vacancy rates of its investment properties at year's end 2013 to be largely unchanged from the end of 2012. The estimate is based on leases already signed and forecast changes in rental agreements.
- Comparable net operating income 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.

# 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	





*Pia Arrhenius  
Senior Vice President, Corporate  
Communications and IR  
Tel: +358-20-431 3454*

*Sponday 2009*

**SPONDA**



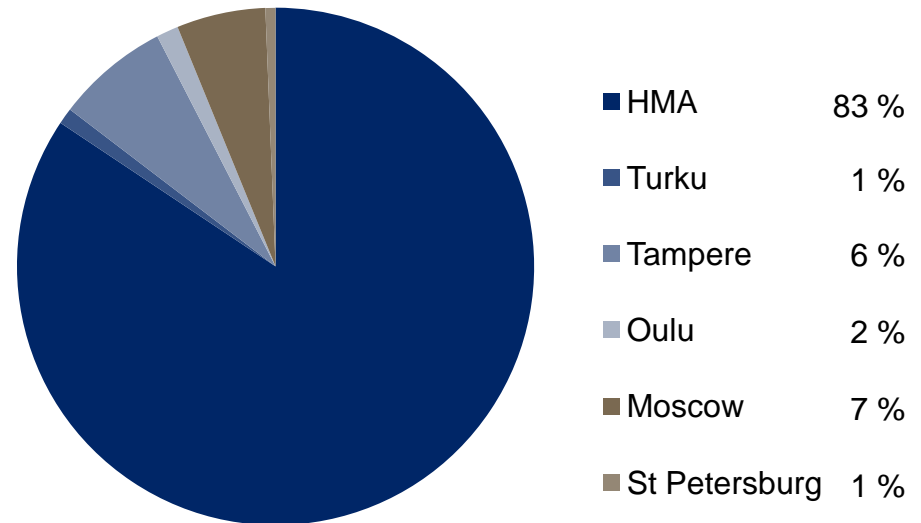
# Property portfolio focused on prime locations in the Helsinki Metropolitan Area

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

Helsinki CBD and Ruoholahti areas


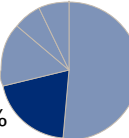
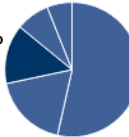
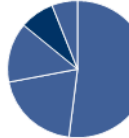
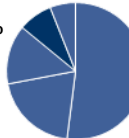


Investment properties by location (excl. Property development & Funds)



EUR 3,138.0 million

# Overview of reporting segments

		Fair value <sup>1</sup>	% of portfolio <sup>2</sup>	Yield requirement
Office & Retail	<ul style="list-style-type: none"> <li>• Prime office and retail properties in the largest cities of Finland.</li> <li>• Focus on Helsinki CBD and Ruoholahti area.</li> </ul>	1 711.2 M€	 52%	6.5 %
Shopping Centres	<ul style="list-style-type: none"> <li>• Specialises in leasing shopping centres in the largest cities in Finland.</li> </ul>	738.5 M€	 23%	5.6 %
Logistics	<ul style="list-style-type: none"> <li>• One of the largest logistics property owners in the Helsinki Metropolitan Area and in Finland.</li> </ul>	414.3 M€	 13%	8.2 %
Property Development	<ul style="list-style-type: none"> <li>• Property development projects and land assets.</li> <li>• Currently no active projects apart from annual maintenance investments.</li> </ul>	136.3 M€	 4%	n/m
Russia	<ul style="list-style-type: none"> <li>• Office properties and shopping centres in Moscow and St Petersburg.</li> </ul>	274.0 M€	 8%	9.7 %
Real Estate Funds	<ul style="list-style-type: none"> <li>• Owns and manages office, retail and logistics properties through real estate funds.</li> </ul>	670 M€ (AUM)	n/m	n/m

# 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 2005-2012

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>
<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>• 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€	31.3.2013	31.3.2012	31.12.2012	1.1.2012
<b>ASSETS</b>				
Non-current assets	<b>3,458.3</b>	3,324.6	3,435.0	3,311.1
Current assets	<b>54.2</b>	62.2	86.7	76.1
<b>Assets, total</b>	<b>3,512.5</b>	3,386.8	3,521.8	3,387.2
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity total	<b>1,427.9</b>	1,311.6	1,447.7	1,334.4
Non-current liabilities				
Interest-bearing debt	<b>1,451.3</b>	1,307.0	1,460.3	1,380.8
Other liabilities	<b>33.0</b>	39.6	38.1	40.3
Deferred tax liabilities	<b>212.7</b>	187.2	205.9	181.8
Non-current liabilities, total	<b>1,697.0</b>	1,533.7	1,704.4	1,602.9
Current liabilities, total	<b>387.6</b>	541.5	369.7	449.9
<b>Liabilities, total</b>	<b>2,084.6</b>	2,075.3	2,074.1	2,052.8
<b>Shareholders' equity and liabilities</b>	<b>3,512.5</b>	3,386.8	3,521.8	3,387.2

# Lease agreements in Q1 2013

	Pcs	M <sup>2</sup>	€/m <sup>2</sup> /month (avg)*
Agreements that came into force during the period	91	31 512	9.88
Agreements that ended during the period	75	29 079	12.64
Agreements that were extended during the period	62	39 834	16.65

\*) 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.
- 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.

# EPRA NAV calculation

5.07 €/share

