

Financial Results Q2 2011

5 August 2011

Conference call 11.00 am EET

Dial-in number:

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Webcast available at:

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

SPONDA

Agenda

- **Q2 2011 in Brief – Kari Inkinen**
- Market Update – Kari Inkinen
- Q2 2011 in Numbers – Erik Hjelt
- Business Update – Kari Inkinen

Sponda Q2 2011: Performance highlights

	4-6/11	4-6/10	1-6/11	1-6/10	1-12/10
Total revenue, M€	61.6	58.3	120.0	115.9	232.1
Net Operating Income, M€	44.9	43.0	84.5	83.4	168.7
Operating profit, M€	70.0	56.7	107.4	93.0	216.2
Cash flow from operations/share, €	0.11	0.11	0.18	0.19	0.37
Earnings/share, €	0.13	0.11	0.19	0.15	0.40
NAV/share, €			3.92	3.55	3.86
EPRA NAV/share, €			4.66	4.19	4.59
Economic occupancy rate, %			88.2	87.3	88.0

Waiting game

- Solid second quarter 2011
 - Level of maintenance expenses normalised.
 - Net operating income up by 4 % compared to last year.
 - Rental increase in CBD offices clearly visible.
- Positive revaluation of investment properties both in Finland and in Russia.
 - Main drivers are yield compression and increase in market rents.
- Property development projects are progressing as scheduled.
- Still work to be done with the occupancy rate.
 - The global economic uncertainty is affecting companies' behaviour in Finland, too.
- Ratina shopping centre is on the agenda.
 - Negotiations with anchor tenants active.
 - Preparations for construction work ongoing.

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

Office and Retail

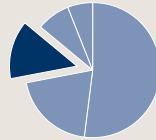


Occupancy rate rose to 88.5 % from 87.7 %.

New leases are signed at higher level than expiries*. Trend is most visible in the central Helsinki.

Property values have risen due to lower yields and higher market rents.

Logistics



Occupancy rate increased 0.5 %-points from Q1/2011.

Average rents have increased in the signed agreements*.

Values have increased by nearly 2 % from the beginning of the year.

Shopping Centres

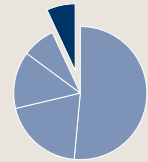


Occupancy rate decreased to 94.3 % from 97.4 %. This was due to one tenant's move within Sponda's properties.

Rents have stabilised, no major increases*.

Values of shopping centres have remained roughly on previous quarter's levels.

Russia



Occupancy rate remained at 98.3 %; same as in the previous quarter.

Moscow rents on the rise, St Petersburg seen modest upward changes.

Prime yields have started to decline in Moscow. St Petersburg is still stable.

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

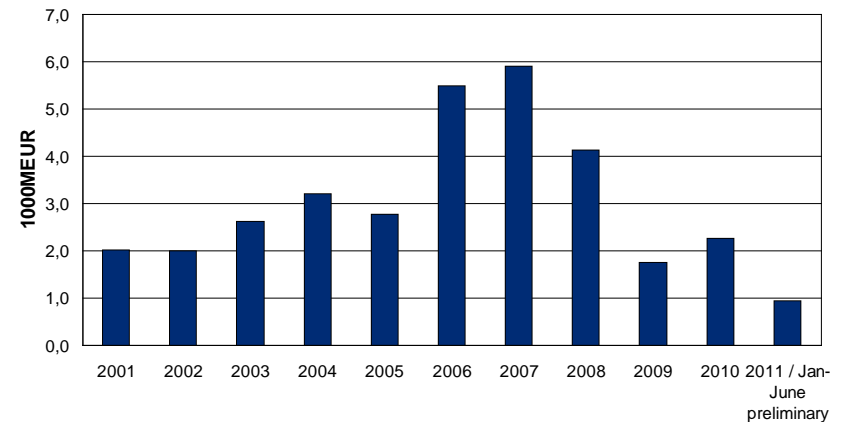
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The Finnish property market

- At the end of Q2 2011, the transaction level was at 1.0 bn.
- Office market vacancy has remained stable in Q2 2011.
- Market rents are going up, especially in prime areas.

Property transaction volume



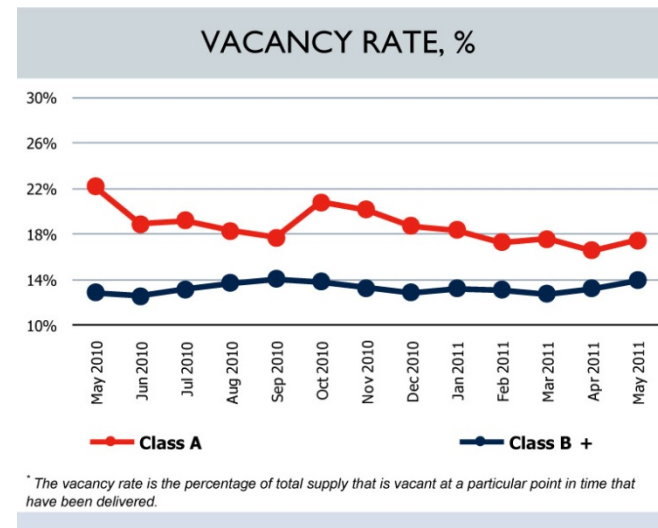
Source: KTI

The Russian property market

- In Moscow office market the rents are rising. Prime rents have climbed to \$1000/m²/yr and over in prime areas.
- The vacancy in office buildings in Moscow is steadily declining.
- In St. Petersburg, market is stable. Vacancies modestly falling, rents stable.

Moscow Class A Q2 2011 Rental Rate*	\$630
Moscow Class B+ Q2 2011 Rental Rate*	\$470
Current Office Yield in Moscow (Class A Prime)	9%

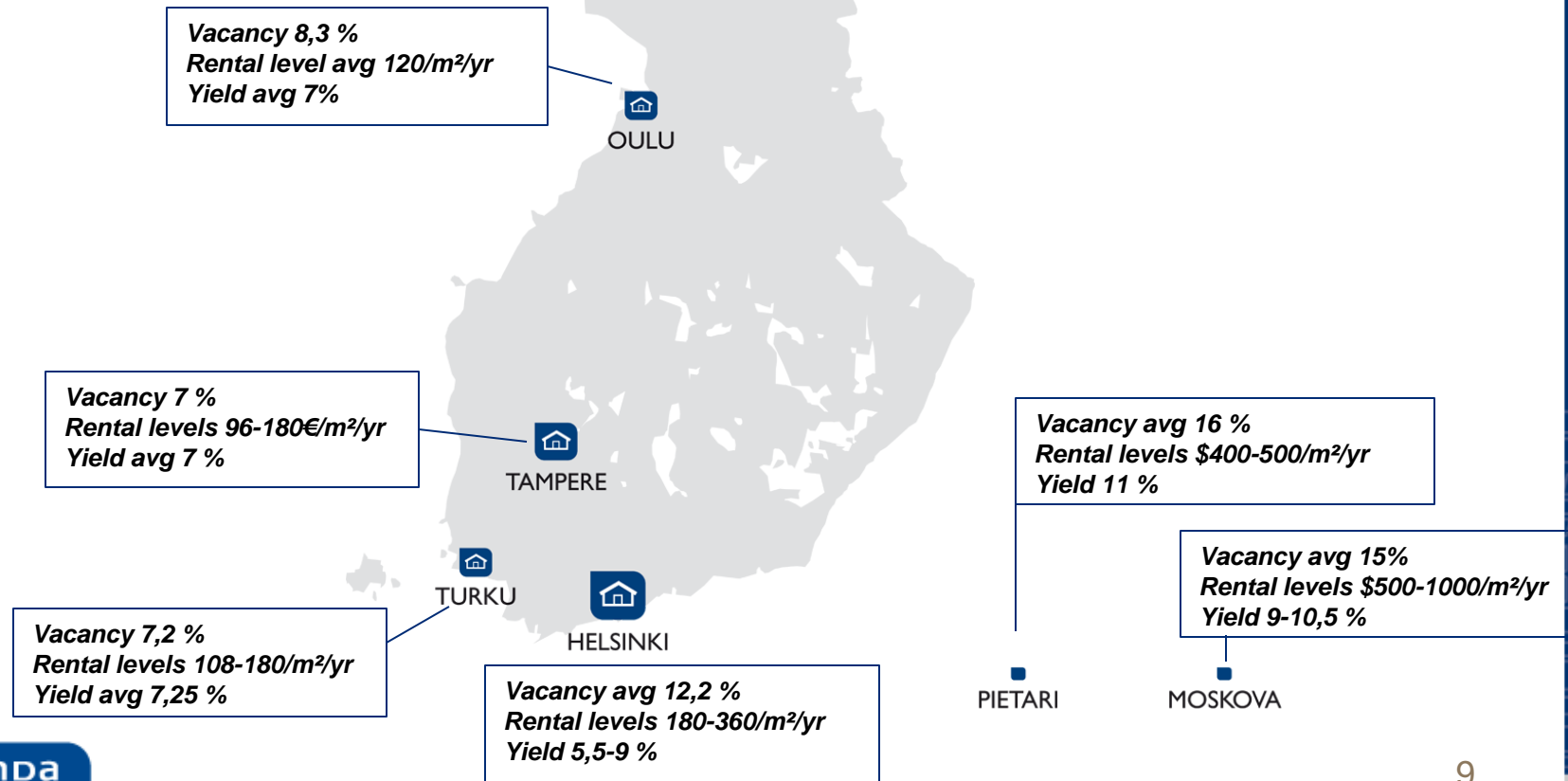
* average of closed rental transactions over the last 3 months



Source: Cushman & Wakefield

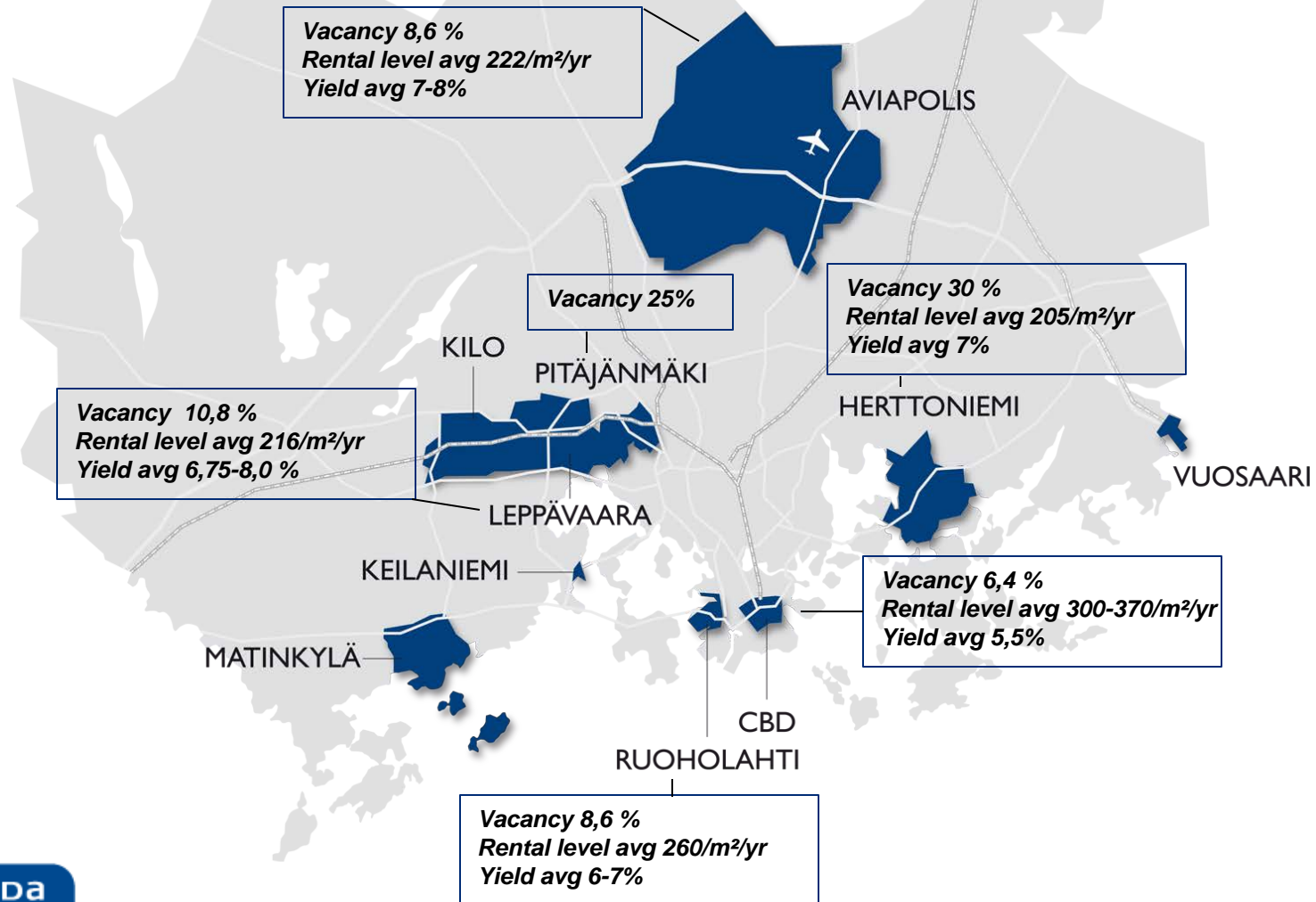
Office market, Finland and Russia

Source: Catella Property, Sponda, JLL, CBRE



Office market, Helsinki Metropolitan Area

Source: Catella Property, KTI, Sponda



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Profit & loss statement

Me	4-6/2011	4-6/2010	1-6/2011	1-6/2010	1-12/2010
Total revenue	61.6	58.3	120.2	115.9	232.1
Expenses	(16.7)	(15.2)	(35.7)	(32.4)	(63.3)
Net operating income	44.9	43.0	84.5	83.4	168.7
Profit on sale of inv. properties	(0.1)	0.9	0.1	2.1	5.8
Valuation gain / loss	25.2	10.1	28.3	10.0	44.4
Profit on sale of trading properties	0.0	8.5	0.0	8.8	19.4
Valuation gain/loss from trading properties	(1.8)	0.0	(1.8)	0.0	0.0
SGA expenses	(6.0)	(5.1)	(11.7)	(10.1)	(20.4)
Share of result of associated companies	0.0	0.0	(0.1)	(0.1)	0.1
Other operating income/expenses	7.8	(0.6)	8.1	(1.2)	(1.9)
Operating profit	70.0	56.7	107.4	93.0	216.2
Financial income and expenses	(19.8)	(14.7)	(32.4)	(31.3)	(58.5)
Profit before taxes	50.2	42.1	75.1	61.7	157.7
Taxes from previous and current fin. years	(0.8)	(0.9)	(1.6)	(1.9)	(3.6)
Deferred taxes	(10.0)	(8.8)	(15.0)	(13.0)	(33.7)
Profit for the period	39.5	32.4	58.6	46.8	120.4

Valuation gains/losses

M€	4-6/11	4-6/10	1-6/11	1-6/10	1-12/10
Changes in yield requirements (Finland)	6.7	2.2	13.6	2.2	22.9
Changes in yield requirements (Russia)	17.5	0.0	17.5	0.0	11.5
Profit/loss from property development projects	0.7	0.1	5.6	1.0	2.7
Modernization investments	(12.7)	(6.4)	(24.6)	(12.0)	(29.9)
Change in market rents and maintenance costs (Finland)	15.3	6.4	19.4	3.6	23.1
Change in market rents and maintenance costs (Russia)	(1.2)	2.6	1.0	2.6	5.0
Change in exchange rates	(0.1)	4.9	(4.6)	11.2	5.2
Investment properties, total	26.2	9.7	27.9	8.5	40.5
Real estate funds	(2.6)	(1.0)	(2.6)	(1.4)	(1.7)
Realised gains/losses in re funds	1.5	1.4	2.9	2.9	5.6
Group, total	25.2	10.1	28.3	10.0	44.4

Balance sheet

M€	30.6.2011	30.6.2010	31.12.2010
ASSETS			
Non-current assets	3,230.2	2,922.7	3,008.1
Current assets	53.3	70.5	78.4
Assets, total	3,283.5	2,993.2	3,086.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity total	1,240.2	1,116.1	1,200.8
Non-current liabilities			
Interest-bearing debt	1,173.2	1,258.5	1,399.4
Provisions	0.0	0.0	0.0
Other liabilities	19.1	41.1	25.5
Deferred tax liabilities	225.4	192.7	221.0
Non-current liabilities, total	1,417.8	1,492.4	1,645.9
Current liabilities, total	625.5	384.7	239.7
Liabilities, total	2,043.3	1,877.0	1,885.7
Shareholders' equity and liabilities	3,283.5	2,993.2	3,086.5

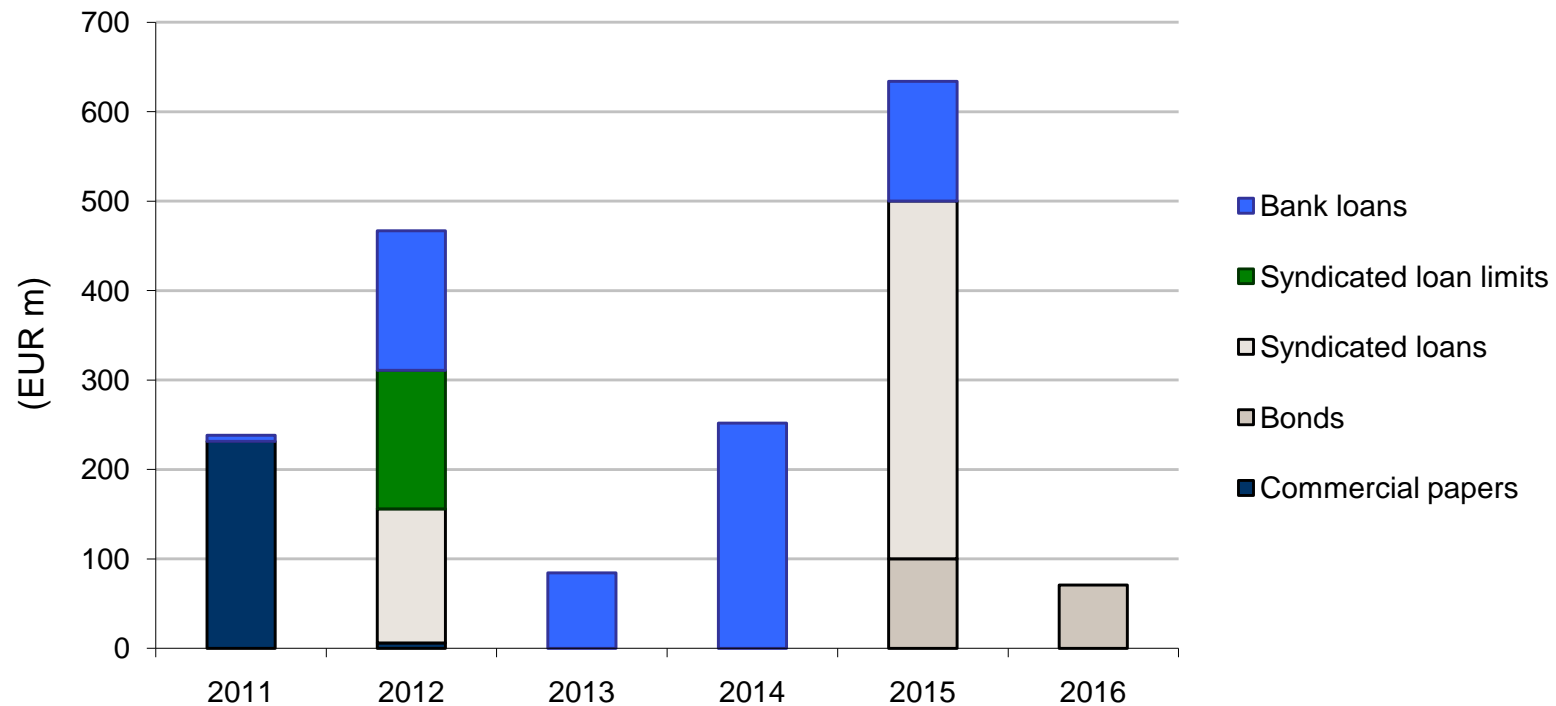
Financing

	Q2/2011	Q1/2011	Q4/2010	Q3/2010	Q2/2010
Equity ratio, %	38	38	39	38	37
Average interest rate, %	3.9	3.8	3.8	3.9	3.9
Hedging, %	85	87	84	74	70
Average loan maturity, yrs	2.9	2.9	3.2	2.4	2.6
Average fixed interest rate period, yrs	2.5	2.5	2.2	2.2	1.9
Interest cover	2.9x	3.0x	3.0x	3.0x	2.9x
Loan to Value, %	55	54	53	55	55

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

Loan maturities 30 June 2011


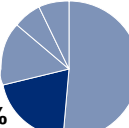
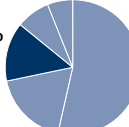
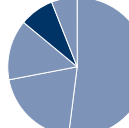
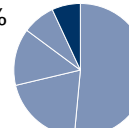
- Interest-bearing debt EUR 1,740.6 million
- Unused financing limits EUR 445 million
- EUR 50 million refinancing signed in April 2011



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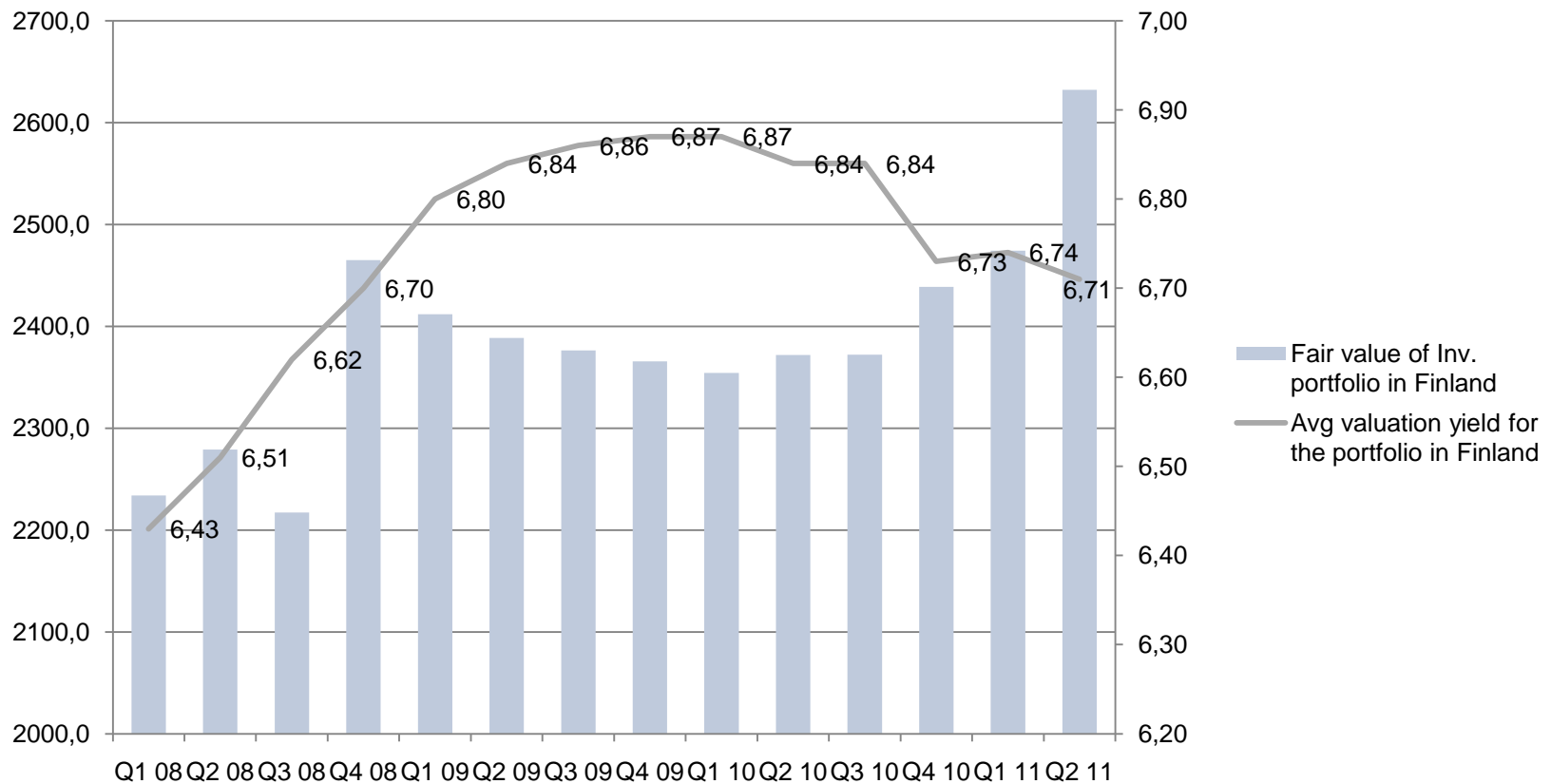
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Overview of reporting segments

	Segment in brief	Fair value ¹	% of portfolio ²	Yield requirement ³
Office & Retail	<ul style="list-style-type: none"> Office and retail properties in the largest cities of Finland Focus on Helsinki CBD and the Ruoholahti area 	EUR 1,619.4m	 53%	6.5%
Shopping Centres	<ul style="list-style-type: none"> Specialises in leasing shopping centres in the largest cities in Finland 	EUR 566.5m	 18%	5.8%
Logistics	<ul style="list-style-type: none"> One of the largest owners and lessors of logistics properties in Finland and largest supplier in the Helsinki Metropolitan Area 	EUR 446.2m	 14%	8.0%
Property Development	<ul style="list-style-type: none"> Sponda's development projects and land assets Currently active projects are the City-Center project and shopping center expansion in Oulu. 	EUR 247.6m	 8%	n/m
Russia	<ul style="list-style-type: none"> Office and logistics properties, shopping centres and land assets in the Moscow and St Petersburg areas 	EUR 218.7m	 7%	9.8%
Real Estate Funds	<ul style="list-style-type: none"> Owns and manages office, retail and logistics properties through real estate funds 	EUR 610 m (assets under management)	n/m	n/m

Valuation yield development

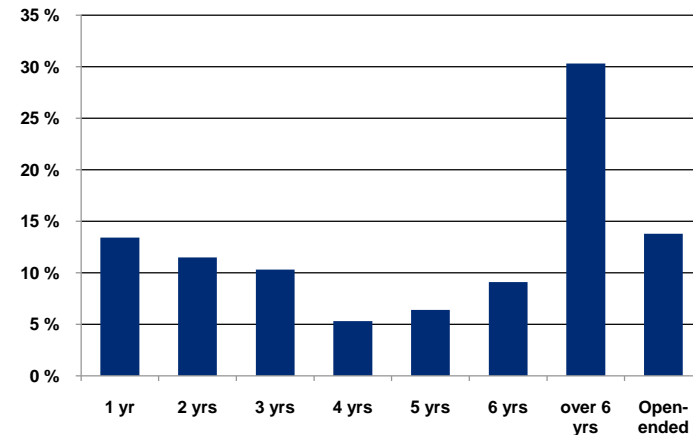
- Average valuation yield for the investment portfolio in Finland
(excl. Property development and Russia)



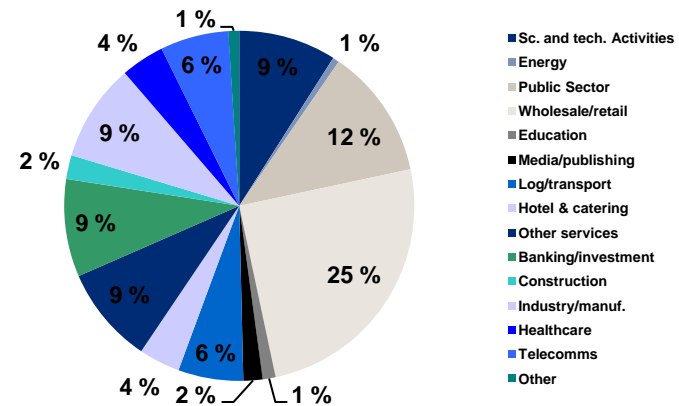
High-quality tenant base and balanced lease agreement base

- Future cash flows
EUR 1,228.0 million
- Average length of contracts
5.0 years:
 - O&R 5.2 yrs
 - Shopping Centres 6.8 yrs
 - Log 4.5 yrs
- Approximately 32 % of total rental income comes from 10 largest tenants
- All agreements in Finland are linked to CPI

Lease maturity profile



Tenant breakdown by sector¹



Note 1: Based on rental income

Lease agreements in Q2 2011

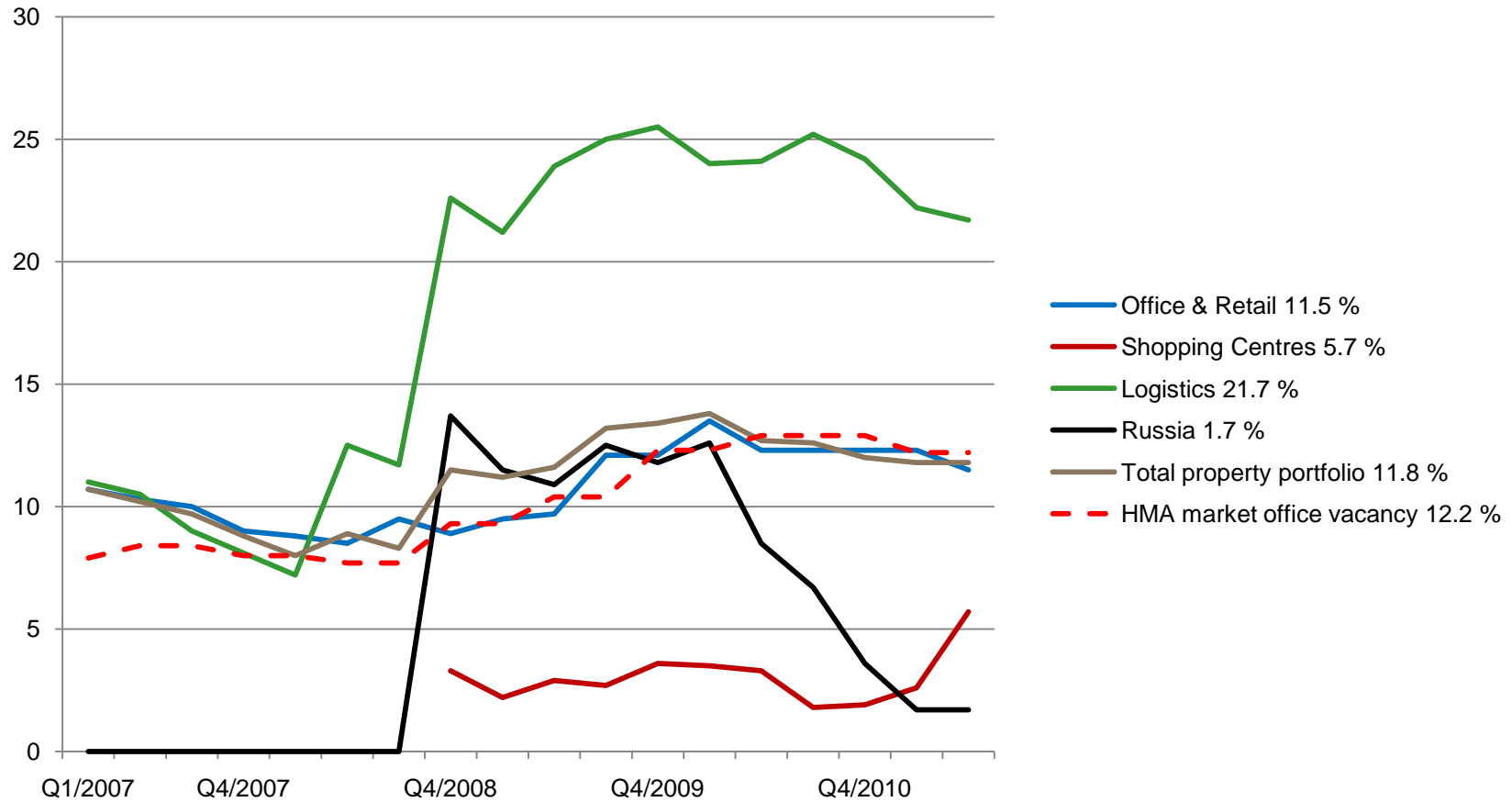
	Pcs	M ²	€/m ² /month (avg)*
Agreements that came into force during the period	101	26 735	16.70
Agreements that ended during the period	106	29 828	11.24
Agreements that were extended during the period	17	7 739	12.16

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

	Office and Retail	Shopping Centres	Logistics	Russia
Like-for-like net rental growth*	(0.6) %	10.6 %	0.4 %	10.7 %

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

Economic vacancy rate 2007 – Q2 2011



Investment portfolio development

- We are creating value by property development and active portfolio management
- In H1/2011 the profit from property development added EUR 0.02 per share.

M€	2010	2011	2012	2013
Committed property development investments for the year	30.5	67.5	26.0	5.0
... of which invested by Q2 2011		35.0		
Acquisitions	0.8	142.2		
Disposals	57.0	2.2		



Property development

- The value of development portfolio was EUR 247.6 million
 - Land sites: EUR 81.4 million
 - Development projects: EUR 151.5 million
 - Development investments include mainly investments to City-Center project and the expansion of shopping centre Zeppelin in Oulu.

	City-Center	Shopping centre Zeppelin
Total investment, M€	125.0*)	18.0
Of which invested by 30 June 2011	100.2*)	4.0
Capitalized interest costs by 30 June 2011, M€	11.5	-
Completion time	End of 2012	End of 2011

Currently ongoing development projects

City-Center

- The office building is ready and the tenant has moved in. Retail space is being finalised.
- Last phase along Keskuskatu has been started and will be completed by the end of 2012.



Shopping Centre Zeppelin

- Extension work is progressing according to schedule. New retail space totals 8,700 m².
- Total investment is EUR 18 million.
- Extension is 100 % pre-let.



Office and retail property, Hämeenkatu 16, Tampere

- Renovation of office and retail building in Tampere has begun.
- The property will be renovated for EUR 6.5 million.
- Property will have new office space of 2,500 m² and retail space of 3,000 m². Over 60 % of the space has been pre-let.
- 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 m².
- 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 grow over 4 % compared to 2010 due to the expected fall in vacancy rate, the completion of property development projects during the year and property acquisitions.

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.

IR contact:

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Master of Arts 2011

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"> • Strategy revised: Profitable growth strategy and expansion plans to Russia and the Baltic Countries 	<ul style="list-style-type: none"> • First property fund established: First TopLux Co. • First investment to Russia made, a logistics property in St Petersburg. 	<ul style="list-style-type: none"> • Rights offering for EUR 250 million completed to partly finance Kapiteeli acquisition. • Sale of asset portfolio, in total EUR 400 million. 	<ul style="list-style-type: none"> • Along with the economic downturn, Sponda started to sell properties in order to strengthen its balance sheet. 	<ul style="list-style-type: none"> • Strategy revised: Baltic Countries no longer as a strategic investment target. • Strategy adjusted to challenging market conditions: modest growth financed by property disposals. 	<ul style="list-style-type: none"> • Sponda sold its properties for EUR 57 million in total. • In total, EUR 800 million was refinanced during the year.
<p>Organisation streamlined to four business units: Office and Retail, Logistics, Property Development and New Business areas.</p>	<ul style="list-style-type: none"> • Sponda signed agreement with Helsinki Harbour to build logistics centre in the new Vuosaari Harbour. 	<ul style="list-style-type: none"> • A number of property development projects were started in Helsinki Metropolitan Area. 	<ul style="list-style-type: none"> • At the end of the year, all property development projects were completed on schedule, apart from the City-Center project. 	<ul style="list-style-type: none"> • Rights offering for EUR 200 million completed to strengthen balance sheet.. 	<ul style="list-style-type: none"> • Property development was accelerated after a couple of slower years.
	<ul style="list-style-type: none"> • Sponda bought property investment company Kapiteeli Plc for EUR 950 million. 				

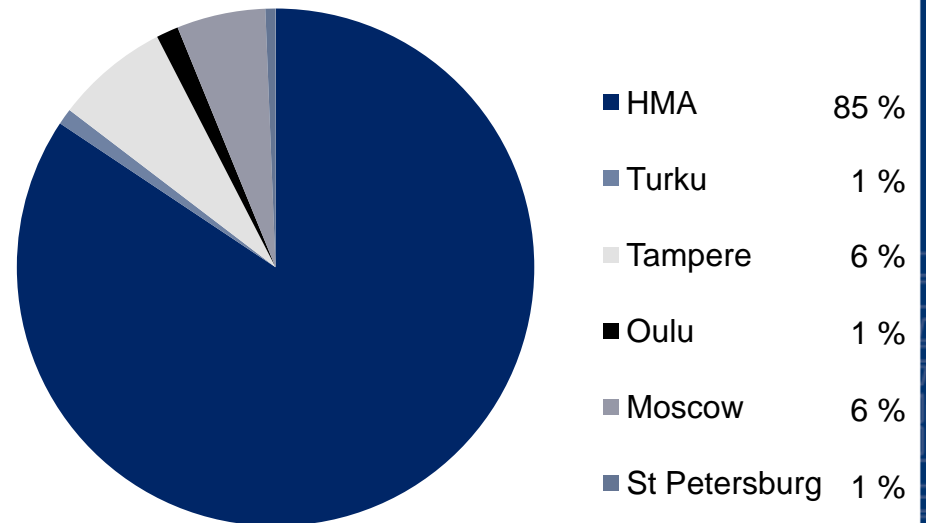
Property portfolio focused on prime locations in the Helsinki Metropolitan Area

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

Helsinki CBD and Ruoholahti areas

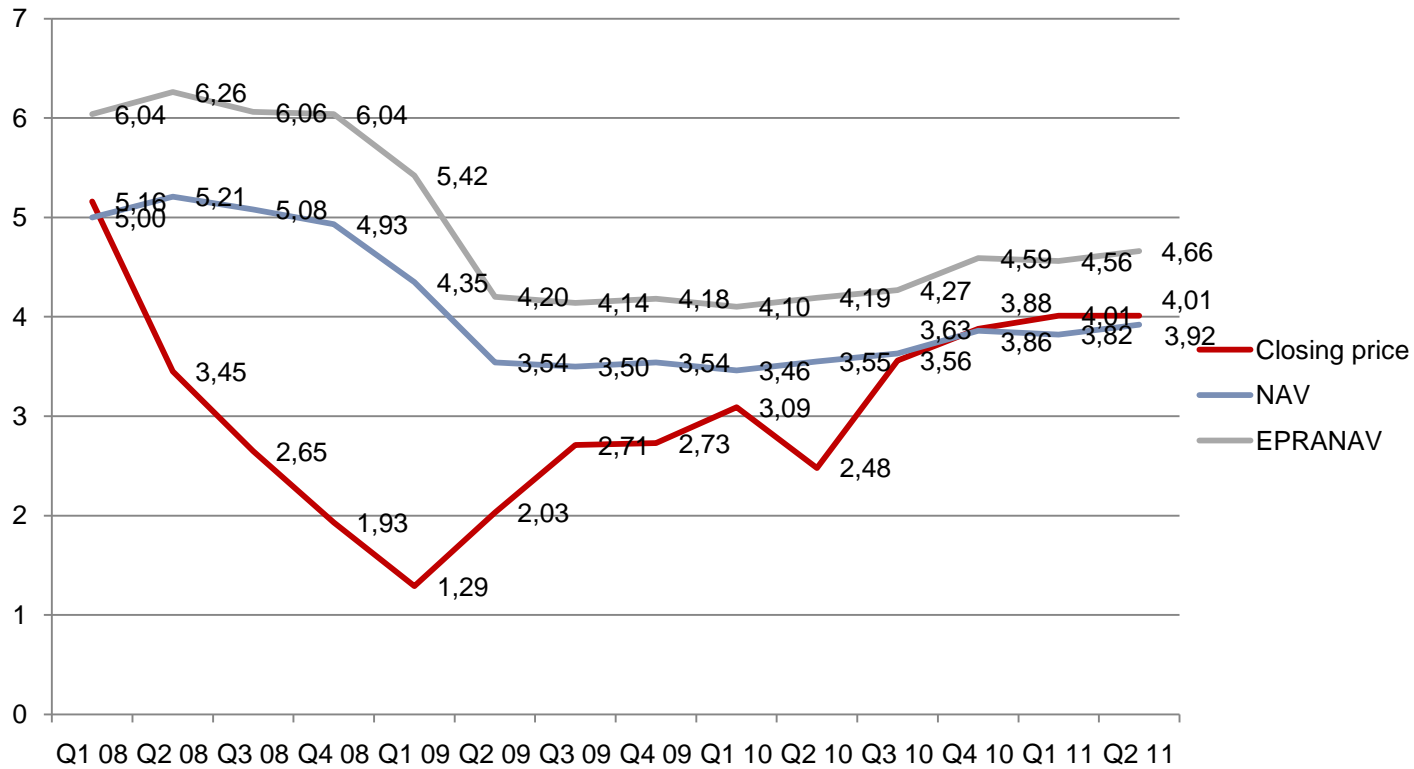


Investment properties by location (excl. Property development & Funds)



EUR 2,676.5 million

NAV/share and EPRA NAV/share

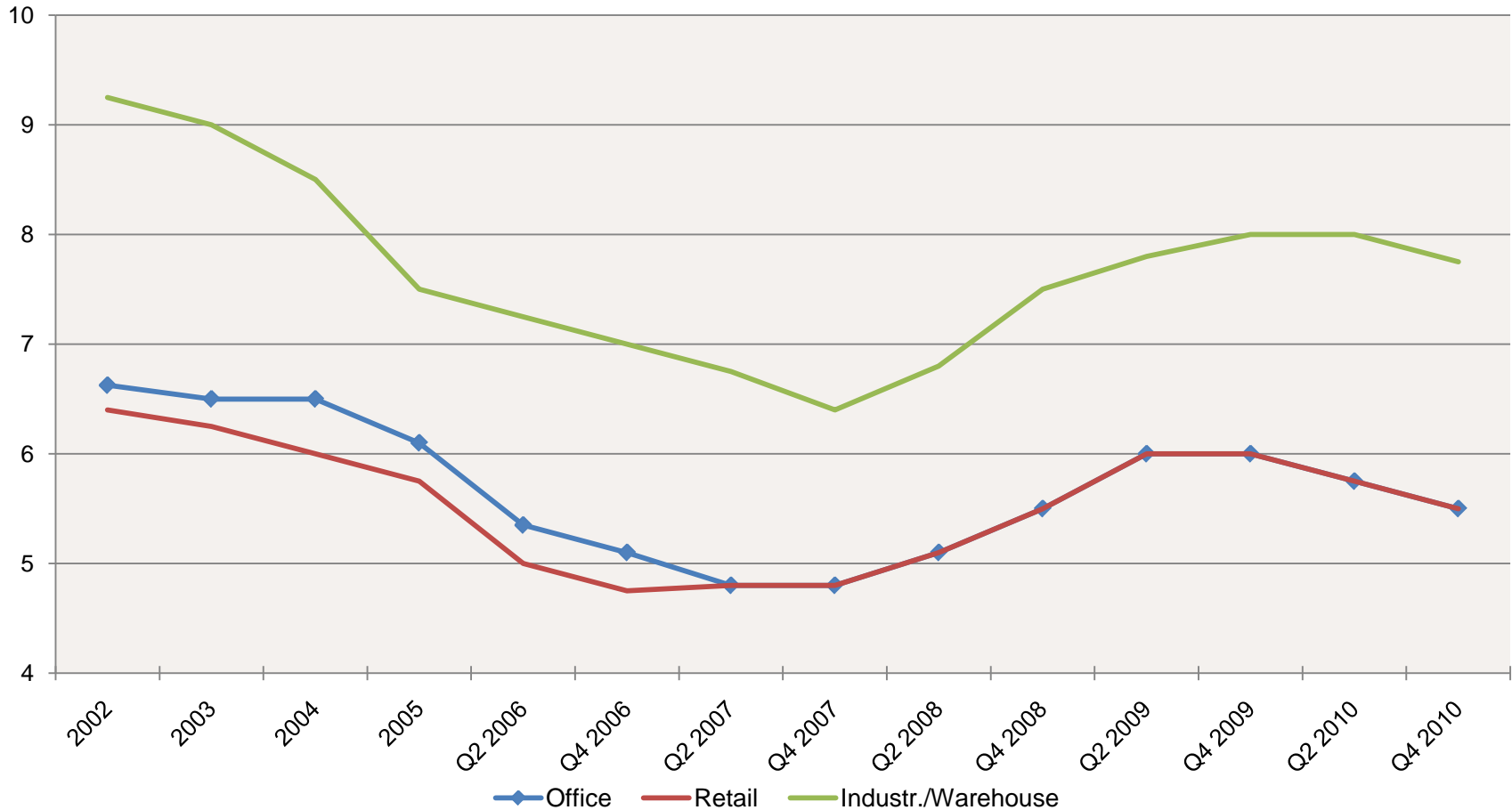


EPRA NAV calculation

	M€
Equity attributable to equity holders of parent company	1 238.5
Other equity reserve	-129.0
Goodwill relating to deferred tax liability on properties	-14.5
Deferred tax*)	223.8
Capitalized borrowing cost	0.8
Total	1 319.6
No of shares at the end of period	283 075 462
EPRA NAV	4.66

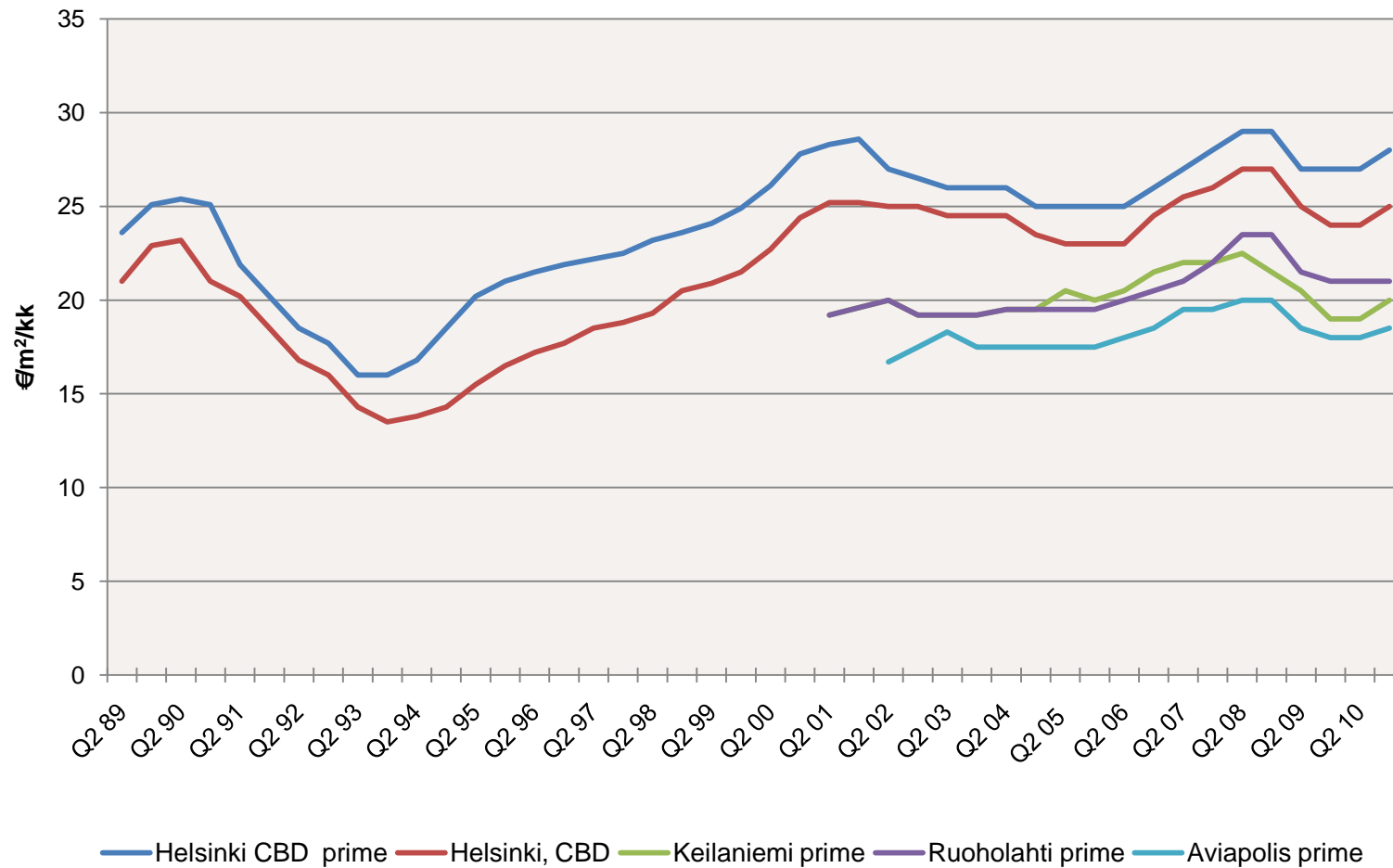
*) *Deferred tax relating to fair valuation of property and interest rate derivatives*

Finland: Prime property yields



Finland:

Rental levels in HMA, office properties



Vacancy rate in the HMA

